# THE FARM INDEX

ECONOMIC RESEARCH SERVICE
U. S. DEPARTMENT OF AGRICULTURE
NOVEMBER 1963

# OUTLOOK 1964

THE YEAR AHEAD FOR

FARMING

MARKETING

THE FOREIGN MARKET

THE CONSUMER

OUTLOOK CHARTBOOK

WITH PROJECTIONS
TO 1968

# ECONOMIC TRENDS

| Item | Unit or base period | '57-'59 Average | 1962 | | 1963 | | |
|---|---|---|---|---|---|---|---|
| | | | Year | September | July | August | September |
| **Prices:** | | | | | | | |
| Prices received by farmers | 1910-14=100 | 242 | 243 | 250 | 245 | 242 | 241 |
| Crops | 1910-14=100 | 223 | 230 | 231 | 239 | 234 | 232 |
| Livestock and products | 1910-14=100 | 258 | 255 | 266 | 249 | 249 | 249 |
| Prices paid, interest, taxes and wage rates | 1910-14=100 | 292 | 306 | 307 | 312 | 311 | 311 |
| Family living items | 1910-14=100 | 286 | 294 | 294 | 299 | 298 | 297 |
| Production items | 1910-14=100 | 262 | 269 | 271 | 273 | 273 | 273 |
| Parity ratio | | 83 | 79 | 81 | 79 | 78 | 77 |
| Wholesale prices, all commodities | 1957-59=100 | ..... | 100.6 | 101.2 | 100.6 | 100.4 | 100.3 |
| Commodities other than farm and food | 1957-59=100 | ..... | 100.8 | 100.8 | 100.8 | 100.8 | 100.8 |
| Farm products | 1957-59=100 | ..... | 97.7 | 100.6 | 96.8 | 96.3 | 95.4 |
| Food, processed | 1957-59=100 | ..... | 101.2 | 103.3 | 102.2 | 100.9 | 100.9 |
| Consumer price index, all items | 1957-59=100 | ..... | 105.4 | 106.1 | 107.1 | 107.1 | ..... |
| Food | 1957-59=100 | ..... | 103.6 | 104.8 | 106.2 | 106.0 | ..... |
| **Farm Food Market Basket:**[1] | | | | | | | |
| Retail cost | Dollars | 1,037 | 1,067 | 1,085 | 1,088 | 1,090 | ..... |
| Farm value | Dollars | 410 | 410 | 423 | 403 | 397 | ..... |
| Farm-retail spread | Dollars | 627 | 657 | 662 | 685 | 693 | ..... |
| Farmers' share of retail cost | Per cent | 40 | 38 | 39 | 37 | 36 | ..... |
| **Farm Income:** | | | | | | | |
| Volume of farm marketings | 1947-49=100 | 123 | 136 | 150 | 130 | 138 | 155 |
| Cash receipts from farm marketings | Million dollars | 32,247 | 35,921 | 3,439 | 2,781 | 2,928 | 3,400 |
| Crops | Million dollars | 13,766 | 15,935 | 1,728 | 1,197 | 1,279 | 1,700 |
| Livestock and products | Million dollars | 18,481 | 19,986 | 1,711 | 1,584 | 1,649 | 1,700 |
| Realized gross income [2] | Billion dollars | ..... | 40.8 | 40.7 | ..... | ..... | 41.1 |
| Farm production expenses [2] | Billion dollars | ..... | 28.2 | 28.3 | ..... | ..... | 28.9 |
| Realized net income [2] | Billion dollars | ..... | 12.6 | 12.4 | ..... | ..... | 12.2 |
| **Agricultural Trade:** | | | | | | | |
| Agricultural exports | Million dollars | 4,105 | 5,031 | 396 | 410 | 408 | ..... |
| Agricultural imports | Million dollars | 3,977 | 3,876 | 313 | 335 | 347 | ..... |
| **Land Values:** | | | | | | | |
| Average value per acre | 1957-59=100 | ..... | 118[3] | 120[4] | 127 | ..... | ..... |
| Total value of farm real estate | Billion dollars | ..... | 137.4[3] | 139.5[4] | 148.1 | ..... | ..... |
| **Gross National Product**[2] | Billion dollars | 456.7 | 554.9 | 556.8 | ..... | ..... | 588.5 |
| Consumption [2] | Billion dollars | 297.3 | 355.4 | 356.7 | ..... | ..... | 374.3 |
| Investment [2] | Billion dollars | 65.1 | 78.8 | 78.9 | ..... | ..... | 83.9 |
| Government expenditures [2] | Billion dollars | 92.4 | 117.0 | 117.0 | ..... | ..... | 126.0 |
| Net exports [2] | Billion dollars | 1.8 | 3.8 | 4.1 | ..... | ..... | 4.3 |
| **Income and Spending:** | | | | | | | |
| Personal income, annual rate | Billion dollars | ..... | 442.1 | 445.5 | 464.2 | 465.1 | 466.4 |
| Total retail sales [5] | Million dollars | ..... | 19,613 | 19,769 | 20,719 | 20,676 | 20,170 |
| Retail sales of food group [5] | Million dollars | ..... | 4,801 | 4,877 | 5,030 | 5,009 | ..... |
| **Employment and Wages:** [5] | | | | | | | |
| Total civilian employment | Millions | ..... | 67.8 | 68.2 | 69.2 | 68.9 | 69.1 |
| Agricultural | Millions | ..... | 5.2 | 5.1 | 5.0 | 4.8 | 4.9 |
| Rate of unemployment | Per cent | ..... | 5.6 | 5.6 | 5.6 | 5.5 | 5.6 |
| Workweek in manufacturing | Hours | ..... | 40.4 | 40.7 | 40.4 | 40.3 | 40.6 |
| Hourly earnings in manufacturing, unadjusted | Dollars | ..... | 2.39 | 2.39 | 2.45 | 2.43 | 2.46 |
| **Industrial Production** [5] | 1957-59=100 | ..... | 118 | 120 | 126 | 126 | 126 |
| **Manufacturers' Sales and Inventories:** | | | | | | | |
| Total sales, monthly rate [5] | Million dollars | ..... | 33,260 | 33,680 | 35,930 | 35,440 | ..... |
| Total inventories | Million dollars | ..... | 57,210 | 57,190 | 58,930 | 58,980 | ..... |
| Total new orders, monthly rate | Million dollars | ..... | 33,050 | 33,230 | 35,530 | 35,080 | ..... |

[1] Average annual quantities of farm food products based on purchases per wage-earner or clerical-worker family in 1952—estimated monthly. [2] Annual rates seasonally adjusted third quarter. [3] As of March 1. [4] As of July 1. [5] Seasonally adjusted.

Sources: U.S. Department of Agriculture (Farm Income Situation, Marketing and Transportation Situation, Agricultural Prices, Foreign Agricultural Trade and Farm Real Estate Market Developments); U.S. Department of Commerce (Industry Survey, Business News Reports, Advance Retail Sales Report and Survey of Current Business); and U.S. Department of Labor (The Labor Force and Wholesale Price Index).

# COMMODITY HIGHLIGHTS

*(The general situation and outlook this month are carried in the chartbook beginning page 11.)*

October crop production estimates suggest a banner 1963 for major **oilseed** crops. Estimated soybean output is a record 727 million bushels, 8 per cent over 1962 and 28 per cent above 1957-61. Cottonseed output, set at 6.2 million tons, is highest since 1953, a bit over 1962 and 13 per cent over the 1957-61 average. Flaxseed—1963 crop is put at 31 million bushels, 3 per cent under last year but 14 per cent over average.

Total **wheat and flour** exports may reach 1 billion bushels in 1963-64, based on current world demand and prospective sales of about 200 million bushels to Soviet Union and East European bloc countries. If these exports materialize, wheat carryover next July may drop to 725 million bushels—465 million under last July and smallest since 1953. Prices to U.S. farmers for the 1963 crop may average moderately above $1.82 national average loan rate this year, reflecting tightly held private supplies, active demand.

Current **cotton** crop is set at 14.8 million bales, except for 1962 the largest crop since 1953. Acreage is 8 per cent under 1962, but record 500-pound per acre yield means little production change. Carryover next August may exceed 12 million bales, second only to high in 1956. Both mill use and exports are up; exports may rise 1.6 million bales from last season.

Larger fed-beef supplies at heavy weights may boost winter **beef** production, keep prices from advancing. **Hog** slaughter next January-June could average just under year earlier with improved prices, especially in 1964's second quarter. Last June-August, Corn Belt farrowings gained 2 per cent, but a 3 per cent dip was intended for September-November. Winter **lamb** prices are likely to stay below a year earlier, due to strong competition from other meats.

October indicated **feed grain** supply is 214 million tons for 1963-64, slightly under last year but over 1957-61 average. Current crop of 152 million tons is 9 million over 1962 but carryover is down 10 million tons. Next year's use may exceed 1963 crop by 3 to 4 million tons, resulting in a further reduction in carryover in 1963-64. Record crop brings total corn supply to 5,310 million bushels, just over a year earlier. Increased corn use could mean drop in carryover by October 1, 1964, but less than the big reduction during last two years. More livestock is expected to strengthen feed grain demand in 1963-64. Feed grain prices may average near 1962-63 levels.

Farm **egg** production in 1963 may slightly surpass last year's 175 million cases. But largely due to population growth, supplies per capita are down. Producers may get a cent more per dozen this year than 1962's 33.7 cents. **Broiler** output in 1963: 4 per cent over last year's 6,919 million pounds. Current year prices may average 0.6 cents per pound below 15.2 cents in 1962. Chicken consumption may hit new high: 30.6 pounds per capita. **Turkeys:** 1963 production about like 1962. Supplies and per capita use, both down a bit. Farm prices may go a cent over 21.6 cents per pound in 1962.

**Milk** production in 1964? About 125 billion pounds. Cow numbers are declining faster than 1962 but production per cow is still going up. Next year's milk prices to farmers may be a bit higher than 1963. Commercial use of milk and dairy products is up. Stepped up exports are reducing government butter and nonfat dry milk carryover from record levels.

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# FARM COST FORECAST

Production expenses are expected to total about $28.7 billion in 1963, compared with the previous record of $28.2 billion in 1962. Most of this increase is due to higher average prices paid for production goods and services, including interest, taxes and wage rates. The outlook for 1964 indicates a further rise in production expenses at least equal to 1963.

As a result of the overall rise in expenses this year, net income realized from farming in 1963 will probably drop from 1962, despite slightly higher cash receipts from marketings and a continued high rate of government payments to farmers. However, the decline in farm numbers may mean little change in net income per farm.

*Farm labor.* Farm wage rates have increased in 1963 and are expected to rise again in 1964. The total farm wage bill in 1964 will be about the same because the number of hired workers is expected to decline. The national average of cash farm wages is now about 88 cents an hour.

*Livestock.* Prices paid by farmers for feeder and replacement livestock in October 1963 averaged 12 per cent lower than a year earlier and 7 per cent lower than in the spring of this year. The decline in prices paid for feeder cattle and pigs accounted for most of the reduction from a year ago. Most of the decline since spring was caused by a seasonal drop in prices for baby chicks and turkey poults and somewhat lower prices for feeder lambs.

*Farm real estate.* Market prices of real estate increased 6 per cent an acre in the year ending July 1, 1963, compared with 5 per cent in the preceding 12 months. Continued strong demand among farmers for additional land with a limited supply for sale, has stimulated higher land prices.

*Interest.* Interest payments in 1963 on real estate loans and production credit were 11 per cent above those in 1962. Total interest costs in 1964 are expected to show a further rise. Total farm debt is expected to reach $30.5 billion by January 1, 1964, about 9 per cent above the amount owed a year earlier.

*Taxes.* Taxes levied on farm real estate in 1962 averaged $1.36 per acre, up 5.4 per cent from 1961. Preliminary reports on 1963 levies indicate that they are continuing to rise at about the same rate. *(1)*

## Reading of Farmers' Financial Pulse: Stronger in Assets, Debts, Equity

The 1964 farm financial outlook is for continued increases in assets and equities but some decline in net income.

The value of farm assets is expected to reach $226 billion by the end of 1963—up nearly $10 billion from the beginning of the year. Although farm debts will be up $2.8 billion, equities will be nearly $7 billion higher.

Most of the gain in farm assets during 1963 is the result of rising land values. By January 1, 1964, farm real estate will be worth roughly $152 billion. If land values continue to rise as anticipated, farm assets and equities will increase further in 1964.

Realized net income is down about 3 per cent this year from last because of higher farm costs and reduced returns from livestock. With costs continuing upward, an additional drop of 6 to 8 per cent in realized net farm income is anticipated for 1964 if receipts from wheat (sales and government payments) are reduced as much as expected.

The prospect for wheat in 1964 would be even less favorable except for the potential large exports to the Common Market and the Soviet Union.

Farm credit needs have been exceptionally large in 1963 and will continue heavy in 1964. However, farm debt is not expected to rise as much in 1964 as this year because of indications that credit may be somewhat less readily available and that some farmers may become more cautious about incurring long-term debt.

Despite the increase in farm debt this year, loan delinquencies have been few. Apparently most farmer-borrowers have been able to carry the larger debts. However, capital appreciation, particularly in land values, has helped some who were burdened by debt to sell out at a good price. *(28)*

## Estate Planning Cuts Death Taxes, Frees Cash for Farm Improvements

Rates for estate and inheritance taxes—the so-called death taxes—haven't changed much over the years. But family farms have. To return an adequate income, farms have to be bigger, with more capital invested in land, buildings and equipment. As a result, more farms have climbed into the capital assets bracket that is subject to taxation when the owner dies.

Do death taxes cut into the estate to such an extent that the heirs can't continue to operate the farm efficiently? A new ERS study says that for most types of farms in most states the answer is a qualified "no." It also shows how important careful estate planning can be in reducing death taxes.

The federal government levies an estate tax only. It applies to the entire taxable estate according to a single rate schedule. The first $60,000 is exempt, and up to half of the total estate can be left tax-free to the wife. Rates vary from 3 per cent on the first $5,000 of taxable estate to 77 per cent of the amount over $10 million. But part of the amount that goes to meet state taxes can often be credited against the federal assessment.

Some states use the estate tax, but most rely on the inheritance tax, which assesses the distributed shares of the estate. Typically the inheritance tax applies lower rates to shares passing to close relatives than it does to distant relatives or unrelated persons.

While the federal estate tax is uniform, inheritance taxes vary widely among states. Take a $200,000 estate, left half to the widow and one-fourth to each of two adult children. Combined federal and state death taxes would run 2.4 per cent in Alabama, 4.2 per cent in Indiana, and 6.9 per cent in Wisconsin.

Taxes are higher if the wife is no longer living, mostly because her half share is no longer exempt from the federal estate tax. In Indiana, for example, total tax on the complete transfer to one son of a $200,000 estate would be close to 19 per cent, compared with about 7 per cent if it went half to the widow and one-fourth to each of two children with the widow's share passing on to the children at her death.

The federal estate tax can sometimes be paid in installments over a 10-year period. But the states are not usually so generous. With most of their capital tied up in property, some heirs have to borrow money to meet state payments.

To keep their heirs from having to resort to these measures, some older farmers may hold more of their assets in the form of cash or securities that can easily be sold for cash.

Estate planning takes competent legal advice, but it offers several ways to reduce death taxes. One way is to transfer part or all of the estate to the heirs as a gift. A farmer can give each heir $3,000 a year, plus another $30,000 to all heirs during his lifetime free of gift tax. His wife can do the same, thus doubling the total gift. Or they can give even more of the estate, paying a gift tax on the taxable portion. Gift tax rates are lower.

Another way is to put the estate in trust, with the income assigned to the children and the farm passing to the grandchildren when the children die. It is often possible to bypass one set of death taxes with this device. Again, good legal advice is vital.

On balance, death taxes don't seem to be a major problem to most farmers, but they are something farm operators should think about and plan for before they come due. *(2)*

**WHO HOLDS THE FARM MORTGAGE DEBT?** According to USDA's farm mortgage figures for January 1 this year, farmers' largest single source has been life insurance companies. The federal land banks held the second place share of total farm real estate debt, followed by all operating banks and the Farmers Home Administration. During the five-year period from 1958 to the present, total farm mortgage debt increased 48 per cent. From January 1, 1962, to January 1, 1963, the increase was 10.6 per cent. *(3)*

| Year | Life insurance companies | Federal land banks | All operating banks | FHA | Other farm mortgage debt | Total farm mortgage debt |
|---|---|---|---|---|---|---|
| | Million dollars | | | | | |
| 1958 | 2,579 | 1,897 | 1,414 | 340 | 4,152 | 10,382 |
| 1959 | 2,661 | 2,065 | 1,512 | 388 | 4,465 | 11,091 |
| 1960 | 2,820 | 2,335 | 1,625 | 437 | 4,857 | 12,074 |
| 1961 | 2,975 | 2,538 | 1,686 | 482 | 5,131 | 12,812 |
| 1962 | 3,162 | 2,802 | 1,785 | 566 | 5,576 | 13,891 |
| 1963[1] | 3,397 | 3,023 | 2,053 | 709 | 6,180 | 15,362 |
| | Per cent change[2] | | | | | |
| 1958 to 1963 | 31.7 | 59.3 | 45.2 | 108.7 | 48.8 | 48.0 |
| 1962 to 1963 | 7.4 | 7.9 | 15.1 | 25.3 | 10.8 | 10.6 |

[1] Preliminary. [2] Computed from unrounded data.

## Research Reveals Economic Future For Dairymen in Lake States Region

What's in store for Lake States dairymen? Fewer milk producers, higher output and slightly lower farm prices, according to economic projections for 1965. In other words, it's a continuation of existing trends.

The Lake States region has long been a leader in milk production. In 1961, three of these states, Michigan, Minnesota and Wisconsin, contributed 26.8 per cent of national milk output. This concentration of production makes the area a milk surplus region. The fluid milk market is dominated by the Chicago order market. The bulk of the milk output of the region goes into the manufacture of butter, milk powder, ice cream and cheese.

An economic analysis of dairying in the Lake States by ERS in cooperation with the Agricultural Experiment Stations of Illinois, Iowa, Michigan, Minnesota and Wisconsin indicates that balancing supply and demand for fluid milk and products would allow for an additional 9 per cent of production in this region by 1965 compared to 1959. The increase would result from growth in population, higher consumer income and lower farm prices for milk.

Although consumer demand for fluid milk and cream is expected to continue to decline, demand for manufactured products in the U.S. should increase over the next two or three years. Per capita use of all milk will continue to drop rapidly but will be more than offset by a 10.3 per cent increase in total population.

These trends in demand for milk and the opportunities to use improved technology indicate several profitable alternatives for dairymen in the Lake States. The grade A producers can more easily increase output as their competitive position is stronger compared to grade B producers. However, these farmers need to continue to improve the size and quality of their herds and many could well consider the installation of labor saving, loose-housing arrangements and the mechanization of feeding for their cows.

Many of the grade B producers will find it more profitable to reduce milk output and shift to feeding more hogs and beef. Some grade A men on farms with Corn Belt type soils might also consider adding to their livestock feeding enterprises. However, the analysis revealed that less than $17.50 per hundredweight for hogs would not make them as profitable as milk production for most producers selling fluid milk.

Within the region, the largest increase in milk output would be profitable for dairymen in Michigan where alternatives in livestock production are limited. Expansion of milk production in east central Minnesota and west central Wisconsin is less advisable because the farms are smaller and would have to be consolidated into larger units to provide adequate land and capital resources. *(4)*

## BUDGETED INCOMES OF DAIRY FARMERS DEPEND ON OUTPUT

A competent New England dairy farmer with 32 cows might reasonably expect to earn $5,500 a year.

He's at the top of the income scale in a series of four budgets.

The budgets were tied to annual milk outputs of 2,400 hundredweight, 2,880 hundredweight, 3,360 hundredweight and 3,840 hundredweight.

A minimum cost budget for the dairy farm at the bottom of the scale would include 20 cows with 67 acres of land. The farm is essentially a one-man operation, as is true of all the other budgets. Some 324 extra hours of labor—mostly family labor—are also included in the plan. At this production level, the operator earns 19 cents per dollar of gross sales or $2,500 a year.

For the next higher milk output, the farmer needs 24 cows, and 80 acres. His earnings would, theoretically, amount to 22 cents per dollar of gross sales or $3,500 a year.

At a 3,360-hundredweight output level, the farmer needs 28 cows and 93 acres. He would earn about 25 cents per dollar of gross sales—$4,500 a year.

The largest budget calls for 32 cows and 106 acres. The farmer earns 26 cents per dollar of gross sales or $5,500 a year.

In all the budgets about half the farm acreage is in cropland and rotation pasture.

The figures for the operator's earnings equal the cash return to the farmer for his labor and management, after deducting from gross sales the annual expenses associated with the business. The expenses do not include the cost of the farmhouse nor any allowance for repayment of capital. However, the expenses do include a charge of 5 per cent on the total investment.

In all the budgets, average production per cow is 12,000 pounds of 3.8 per cent milk a year. The farm price of milk is $5 per hundredweight. *(5)*

## Costs of Producing Slaughter Beef Are Related to Location of Feedlot

What affects the cost of producing fed beef in one area compared to another? The cost of the feeder animal. The cost per hundredweight of gain. Nonfeed costs.

Take the cost of the feeder steer or heifer delivered to the feedlot. This item will depend somewhat on the concentration of the cattle feeding industry in the area and the distance from the supply of feeder animals. As cattle feeding

expands in a region, operators must go farther afield to fill their lots. Naturally this increases the cost of the cattle.

Once the outlay is made for the livestock, feed costs are the next expense for cattle feeders. Feed is the most important part of the cost of gain. Areas of concentrated feed grain production, as a rule, provide generous supplies of low-cost concentrates. Even in grain deficit areas, some feeding of grains is necessary for finishing feeders. Use of local hay and pasture can partly offset the extra cost of concentrates.

Climate and managerial ability also affect the rate of gain of feeder cattle. For example, both severe cold and extreme humid heat reduce the rate of gain. An unfavorable climate can also result in higher overhead costs for buildings and maintenance in addition to its effect on gain.

Non-feed costs depend on the scale of individual operations. Feedlots on small farms have vastly different costs compared to large mechanized businesses. Costs for the large lots also vary with mechanization. *(6)*

## Salinas Valley on California's Coast Grows 20% of the U.S. Salad Bowl

California leads the nation in the production of truck crops, and Monterey County, the lettuce capital of the nation, is one of the principal contributors to the state's output.

In 1959, the Salinas Valley in Monterey County harvested more than 20 per cent of the entire lettuce acreage in the United States.

According to the 1959 Census of Agriculture, the sale of vegetables from Monterey County exceeded $40,505,000, more than 15 per cent of the state total. Though fewer than 6 per cent of the state's vegetable farms were located in the county, they accounted for over 14 per cent of the harvested acreage of vegetables.

The Salinas Valley's moderate, cool, humid climate provides nearly ideal conditions for lettuce and other cool weather crops such as artichokes, broccoli, cauliflower and cabbage.

The average farm in Monterey County has 248 acres of cropland, according to a 1959 sample taken of 37 per cent of the vegetable farms in the area.

Vegetables were grown on 142 acres, or about 57 per cent of the cropland. Though most vegetables were grown for the fresh market, spinach, tomatoes, and a few other crops destined for the processor took up an average of 20 acres per farm.

More than half the farms in the area grew only one truck crop. Only about one-fifth of the farms produced three or more crops.

Lettuce is by far the No. 1 truck crop in the county. Lettuce was grown on 44 per cent of the survey farms and accounted for 58 per cent of the vegetable acreage.

On farms where lettuce was produced, this crop averaged 186 acres. *(8)*

## IMPERIAL VALLEY WORTH $30 MILLION IN VEGETABLES

The arid but irrigated desert lands of California's southernmost Imperial County produced more than $30 million worth of truck crops in 1959, according to the Census of Agriculture, or 11 per cent of the state's total output.

This performance level makes the Imperial Valley the leading production area in the West for winter vegetables.

Imperial County harvests its truck crops from 59,353 acres divided among 336 farms averaging 177 acres.

In 1959 a survey was made of 108 of these farms. They averaged 849 acres of cropland, with vegetables on 293 acres. This higher average is primarily the result of a concentration of large-scale lettuce farms.

Sales from the Imperial Valley farms averaged $509 per acre harvested, compared with $409 per acre of vegetables for the entire state. The difference of $100 in gross income per acre was largely the result of higher prices brought by winter vegetables. Furthermore, the grower in the Imperial Valley generally produced for the higher priced fresh market.

But there is a vast difference between gross and net returns, and producing winter vegetables is a costly business. Growers in the valley spent up to $100 per acre on materials alone to protect their crops from the cold winds and frosts that sweep the valley in December and January. Such protection also called for much more hand labor—52 hours per acre of staked tomatoes for setting brush and paper.

The survey farms represented 32 per cent of all truck crop operations in Imperial County. Most of the farms concentrated on only one or two crops.

Rainfall is a scant two to three inches a year in the Imperial Valley. Crop production depends entirely on irrigation water from the Colorado River. *(7)*

## Study in Lower Rio Grande Valley Guides Choice of Profitable Crops

Hidalgo, Willacy and Cameron are the last Texas counties along the Rio Grande as it meanders into the Gulf. The soil is mostly clay. The land is dry with little vegetation. The major crops, produced mostly under irrigation, are cotton and truck crops.

To help farmers choose the crops and capital inputs that will make the most of these clay soils the Economic Research Service, along with the Texas Agricultural

Experiment Station, has prepared budgets for various commodities.

The budgets are based in part on actual cost and return figures supplied by leading farmers in the area.

In addition to such cash expenses as labor and irrigation costs, the budgets take into account interest on operating capital and depreciation on machinery and equipment. But they don't include such outlays as taxes and interest on real estate investment which remain fixed regardless of what crops are grown.

So the budgets are guides rather than exact estimates of potential crop yields and farm income per acre:

Cotton yields run 732 pounds (lint) per acre, whether the land lies fallow in the fall or is planted to vegetables. But double cropping lowers cotton production costs since it takes less land preparation.

The high returns shown for lettuce and onions would seem to encourage farmers to produce these crops exclusively. Overproduction, however, would cause market prices to fall sharply.

The report also includes detailed cost figures for seed, labor, machinery and other inputs.

The study is part of an extensive research program to appraise the changing farm opportunities in 12 southern states. *(9)*

| *Crop* | *Gross receipts* | *Specified expenses* | *Net returns per acre* |
|---|---|---|---|
| Cotton—winter fallow | $267.40 | $172.71 | $ 94.69 |
| Cotton—fall vegetable | 267.40 | 163.12 | 104.28 |
| Beets | 106.00 | 73.03 | 32.97 |
| Cabbage | 161.25 | 129.23 | 32.02 |
| Carrots | 135.00 | 101.26 | 33.74 |
| Lettuce | 520.00 | 190.11 | 329.89 |
| Onions | 459.00 | 130.93 | 328.07 |
| Green peppers | 315.00 | 258.70 | 56.30 |
| Sweet corn | 112.50 | 74.93 | 37.57 |
| Tomatoes | 145.50 | 107.86 | 37.64 |
| Grain sorghum | 58.65 | 41.59 | 17.06 |

## FARM BASEMENTS WOULD PROVIDE DISASTER PROTECTION

In the event of enemy attack, many farmers can use the basements or cellars under their houses for fallout protection. A recent SRS survey revealed that nearly 60 per cent of the farmers in 24 central and southern states have facilities that provide some protection against fallout. About 45 per cent of the farm families have cellars under their houses and 14 per cent have storm shelters away from their houses.

The 24 states covered in the survey account for 2.9 million farm households—78 per cent of the United States total.

The study, part of USDA's continuing civil defense program, also surveyed shelters for milk cows. There was shelter of some sort for one-third of the milk cows in four South Atlantic states, compared with 90 per cent in the North Central and 50 per cent of the animals in the South Central states.

In the 24 states surveyed, 70 per cent of the farms had storage facilities for gasoline; 39 per cent for diesel fuel, fuel oil or kerosene; and 47 per cent for LP-gas. Farm storage capacity amounted to a sixth of annual use for gasoline and equalled about a third of total annual use for the other fuels listed.

As of December 1, 1962, the supply of gasoline on farms was about one-third of the storage capacity. Supplies of LP-gas, diesel fuel, fuel oil and kerosene were about half of the storage capacity. *(10)*

## Farm Population in Texas Blacklands Shows Sharp Drop in Two Decades

Many farmers in the Blackland Prairie of Texas have hung up their hoes and moved to the city. They couldn't make a living on the farm.

Like most rural areas of the nation, the Blacklands have lost the greater part of their farm population to cities in recent decades. In 1940, about 358,000 persons lived on farms in the Blacklands. By 1960, this number had dwindled to 96,000.

These figures are from a study conducted by the Texas Agricultural Experiment Station in conjunction with ERS.

The study showed that the 10 million acres of farmland in the Blacklands area is steadily losing cropland to livestock and pasture. Cotton, long the major crop, is still the largest source of farm income. But cotton yields have remained about the same through the years and the cut in cotton acreage takes a big bite out of farm income.

The return to farm family labor on a typical Blackland cotton farm in 1961 was 29 cents per hour, down from the 1947-49 average of 86 cents and the 1957-59 average of 39 cents per hour.

Substitutions in farm enterprises have not fully compensated farmers for the cash they have lost from cotton. In 1959, one-eighth of the farm families had a cash income of less than $1,000.

The low incomes usually are associated with heads of families who are either women, aged, disabled or poorly educated. For example, farm operators with a high school education or better received about $5,400 in 1959 compared with the $2,200 received by farmers with less than five years of school.

Among rural heads of families in the area, 34 per cent have one or more of the above "low-income traits." *(11)*

## Model Cotton Farm Setup Reveals Effects of Changes in Technology

How do you make the best better? Use the most up-to-date production techniques, say the specialists.

To compare the differences in net returns resulting from changes in technology, economists set up a model farm. Returns were figured using the current production practices typical of most cotton operations in the Delta areas of Mississippi, Arkansas and Louisiana. Then they were calculated on the basis of more advanced techniques that have been proven successful but are not yet widely used.

The differences between present and advanced techniques were in varieties planted, seeding rates, fertilization, weed and insect control, irrigation, harvesting and management. The hard core of the success of the entire operation is the quality of the management available. This, needless to say, varies greatly.

Little change was made in the acreage of land used for different crops as the level of production technology shifted. Distribution of land use under current techniques was as follows—433 acres of cotton, 172 acres of soybeans and 116 acres in rice-soybean rotation. With advanced technology—433 acres were in cotton, 172 acres in soybeans or corn, 74 acres in rice-soybean rotation and 42 acres in rice-fallow rotation. In both cases the total cropland was 721 acres on a farm containing 1,200 acres.

The change in technology almost doubled the net returns to management. While net income totaled $28,851 with current techniques, $57,504 was possible using the up-to-date practices.

As would be expected, the advanced methods resulted in a marked increase in production due to the larger yields and more efficient combination of resources.

To make the comparison of levels of technology easier, no production controls or acreage allotments were included in the model. However, in the absence of such programs, reasonable management of the land would restrict the acreage planted to cotton and rice. Of the 721 acres of cropland on the farm, about 430 acres were composed mostly of sandy soils and the balance was in clays and loams. Cotton was limited to not more than 60 per cent of the available cropland, and rice was planted only on loam and clay soils.

Capital for operating the farm was assumed to be unlimited at 6 per cent interest. The operator made the management decisions and hired all the labor. Both prices paid and received were pegged at current levels except for rice which was sold at $3.80 per hundredweight. *(12)*

## Pros and Cons on Type of Storage Depend on the Future Use of Corn

Wet or dry? Which is the best method of storing corn? The answer depends on several things.

Corn for sale must be stored dry—wet corn spoils in shipment. But corn to be fed on the farm can be stored wet in conventional or airtight silos, at a saving of about 6 cents a bushel in harvesting and storing costs.

What are other advantages of wet storage? Harvest can be done early when field losses are lower. There is no expense for artificial drying. Wet stored corn is well adapted to mechanized feeding by conveyor. Once stored, no additional grinding, shelling, cracking or mixing is needed.

What are the disadvantages? Wet stored corn must be fed on the farm; it is not suitable for other commercial uses. It may not "feed down" well in silos that unload from the bottom. From silos that unload from the top, three to four inches of corn must be removed daily during warm weather to prevent spoilage.

Wet corn makes better feed for dairy cattle and sheep than for beef animals. Wet shelled corn is a usable feed for hogs. *(14)*

## HARVESTING METHODS AND EQUIPMENT DECIDE YIELD IN BIN

Not all the corn in the field gets into the bin. While over two billion bushels of corn will be harvested in the Corn Belt this fall, another 180 million bushels will be left behind by the machines. Only a small part of this loss will be salvaged by livestock or gleaned by hand.

How can at least part of these 180 million bushels be harvested? Good harvesting practices and careful selection of equipment are the answer, say the specialists. Needless to say, more corn means more profit for the farmer.

First consideration is the type of harvester. Harvesting efficiency is normally higher with combines that have a snapping bar on the corn-head attachment than with conventional picker-shellers. The bar helps reduce the loss of shelled corn at the snapping rolls.

The date of harvest and moisture content of the grain also influence yields. Corn harvested early contains more moisture but has fewer lodged stalks and less loss of shelled corn at the snapping rolls. Harvested yields are highest for corn containing 25 to 26 per cent moisture.

Harvest can take place earlier in the season if the corn is mechanically dried.

For large volumes of corn, it is advisable to begin picking early when moisture content is high and to use artificial drying equipment so that harvest is completed before the grain in the fields becomes too dry. *(13)*

## Teamwork Gives Family on Ill. Farm Advantages of Specialized Production

One family out in Illinois has found a way to combine specialization and diversification on the same farm.

Together, three brothers manage 400 acres of corn, 1,000 hogs and 5,000 laying hens. One of the brothers devotes his time to raising hogs and producing eggs. The second concentrates on producing and storing the corn. The third takes care of buying supplies and marketing the farm products.

Some of the advantages to the arrangement are:

—The brothers are able to handle a large enterprise with little more total labor than some farmers on smaller farms.

—The volume of farm output is great enough to justify such specialized investments as automated drying equipment for grain, confinement buildings for hogs and a poultry house with controlled environment and an egg-gathering belt.

—Because of the volume of their business, the brothers buy on discount and can take advantage of special prices for their supplies.

—With high quality products, uniform groups of livestock, and year-round production, the farm can supply the best markets and command top prices for its output.

—By combining specialization with diversification, the brothers spread their risk over three major enterprises.

—The farm is big enough to make full use of the technical ability developed by the three men over the years. *(15)*

## ECONOMIC BACKWATER TRAPS RURAL KENTUCKY FAMILIES

At best the farmland could be described as fair. The community is off the beaten track, somewhat isolated from the rest of the state. And there aren't enough jobs to go around.

This is the region in America that hasn't been able to keep up with the technical and economic progress of the rest of the country.

One such area is found in south central Kentucky. Its portrait has been sketched by economists in the University of Kentucky Agricultural Experiment Station working in cooperation with the Economic Research Service.

Some 69 per cent of the farm families in the area had incomes of less than $2,000 a year in 1956, compared with 43 per cent nationally. The nonfarm workers in the area were no better off. Fifty-nine per cent of them made less than $2,000 a year; the figure for the nation in 1956 was 16 per cent.

The economic blight is more apt to strike the younger and older farmers than the middle age group. But while proportionately more farmers under 35 years of age earn less than $2,000 a year, compared with farmers over 65, the problem is much worse for the older men. The younger men can, and often do, move out of the region and out of farming—older farmers can't.

Unfortunately part of the burden of poverty is borne by the children of these older farmers since their parents often cannot afford to send them through high school—the most important prerequisite for well-paying jobs outside farming.

Underemployment is the most important single explanation of the low farm incomes. Tenants and croppers on tobacco-corn farms in the area who worked roughly 200 days a year, produced less than the output of 130 days of work at somewhat better than average performance rates on commercial farms.

### *People Who Stay, Pay*

More than 80 per cent of all counties with less than 5,000 persons lost population between 1950 and 1960. It's more than just losing people, however. As populations dwindle, the per capita costs of government go up.

This fact is causing some rural counties to explore the possibilities of consolidating government services with neighboring communities. Whether planning for river basins, flood control, hospitals, libraries or recreational facilities, counties may be able to save money by sharing costs. *(16)*

What can be done to remedy the situation? Migration to the city already plays a major role. In the decade between 1950 and 1960, for instance, the region lost about 15 per cent in total population, while the U.S. as a whole increased by over 18 per cent.

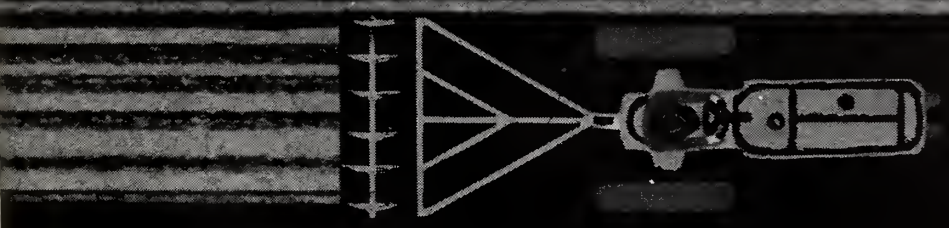
Migration, however, is no cure-all nor does it necessarily lead to significantly better pay. A third of the men who left home during the decade ended up as laborers, about a fifth became low-skill craftsmen.

And too often the move from the blighted area was a move in name only. More than 40 per cent of the men who left home during the decade went no farther than a neighboring county.

The low-paying jobs are largely the result of poor education or inadequate preparation for urban employment. Only a quarter of all men leaving home had completed high school—a minimum level of education for many, if not most, jobs in the city. Compared to their fathers, only 3 per cent of whom had finished high school, this was a great advance.

Retraining holds out hope for many a marginal farmer in this and other depressed areas, though there are limits to what a training program can do. Not every marginal farmer can benefit from such programs. *(17)*

* CHARTBOOK: OUTLOOK FOR 1964; PROJECTIONS TO 1968,
ECONOMIC RESEARCH SERVICE, U.S. DEPARTMENT OF AGRICULTURE



# * OUTLOOK 1964

# FARM FORECAST FOR '64

Growing business activity at home and abroad in 1964 indicates expanding markets for U.S. farm products. Dominant factors in the outlook for farm income, however, include prospects of substantially reduced receipts from wheat and a continued upward trend in production expenses.

Cash receipts and government payments for wheat will be sharply lower under the program effective for the 1964 crop. Due to increases in cash receipts for crops other than wheat and for livestock, gross farm income is expected to drop slightly below the $41 billion estimated for 1963. *(Fig. 1)* But with expenses increasing, realized net farm income in 1964 likely will be lower, perhaps 5 per cent or more below the $12¼ billion estimated for 1963.

The farm population is continuing its downward trend this year. Although realized net farm income from agriculture is a little below 1962, income per capita is higher because of the smaller population. *(Fig. 2)* In 1964, farm income per capita of the farm population is indicated a little smaller than in 1963. But per capita income from nonfarm sources is continuing to rise and personal income per capita from all sources in 1964 is likely to be little changed from 1963. *(Cont'd p. 13)*

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This chartbook presents a graphic word-picture of the agricultural situation and outlook for 1964. The outlook summary, together with the *Handbook of Agricultural Charts* (A.H. No. 258) issued in September, replaces the outlook chartbook of previous years.

The chartbook this year also presents for the first time *a profile of agriculture projected to 1968*. This view of the future is not a forecast like the annual outlook. It is a projection based on a set of assumptions, a knowledge of economic relationships, technological changes, and historical trends. Projections appraise, under the specified assumptions, the expected expansion in domestic and export markets, probable growth in farm output, relative prices and farm income prospects.

Economic projections serve primarily to point up likely problems in carryover stocks, prices and income and to approximate the magnitude of these problems under alternative conditions.

The basic assumptions include specified population and economic growth, farm programs and trends in technology.

Population is expected to rise 10 to 11 per cent by 1968 from 186.6 million in 1962. An annual growth rate of 1.7 per cent is slightly below the average for the past decade. The population increase, together with an accompanying rise in the labor force and productivity, would lead to a growth in the gross national product from 1962 to 1968 of more than one-fourth—about 4 per cent per year. Rising wage rates would increase consumer buying power by nearly 15 per cent over the period.

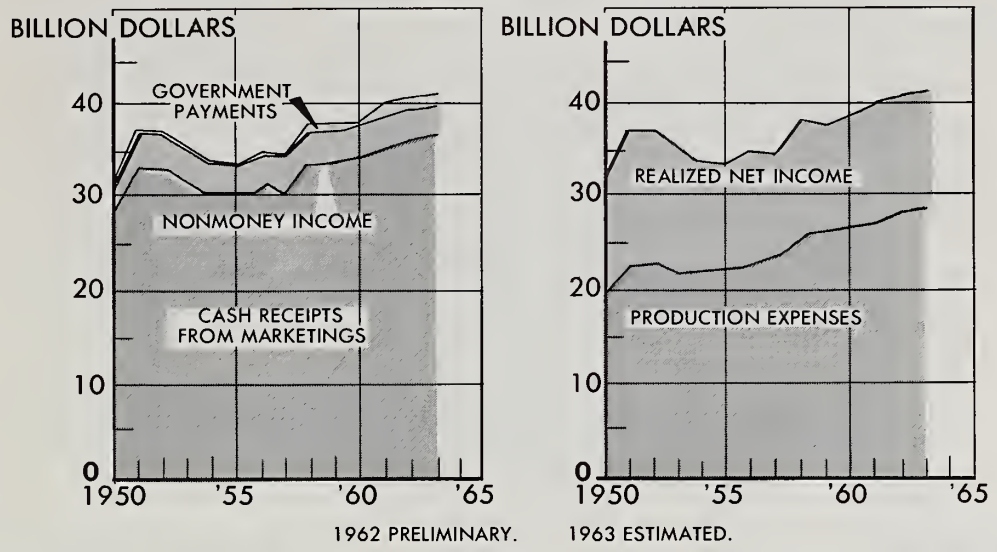
Farm programs assumed for these projections are, in general, those in effect in 1963 and in prospect for 1964 crops, including the wheat program resulting from the May referendum. Accordingly, projections assume a support price for wheat around $1.25 per bushel for participating producers who plant within their acreage quota. For feed grain, the 1963 program was assumed to continue through 1968. The feed grain program assumes a loan rate of $1.10 per bushel for corn with comparable supports for other feed grains and a direct payment of 15 cents a bushel to participating growers.

Although stock changes would reflect the projected demand-output balance under programs specified, it was assumed that present policy would attempt to hold stocks near desired normal levels: Around 500 to 600 million bushels for wheat; 45 million tons of feed grains; and perhaps 6 million bales of cotton. Acreage control programs for other crops would continue as in 1963. Acreage in the conservation reserve declines as contracts expire. Marketing agreements and orders and domestic distribution programs continue as scheduled.

Export projections reflect 1963 legislation for the Food for Peace program including a vigorous P.L. 480 program, and assistance programs designed to make prices of such crops as wheat, cotton, and feed grains competitive in world markets.

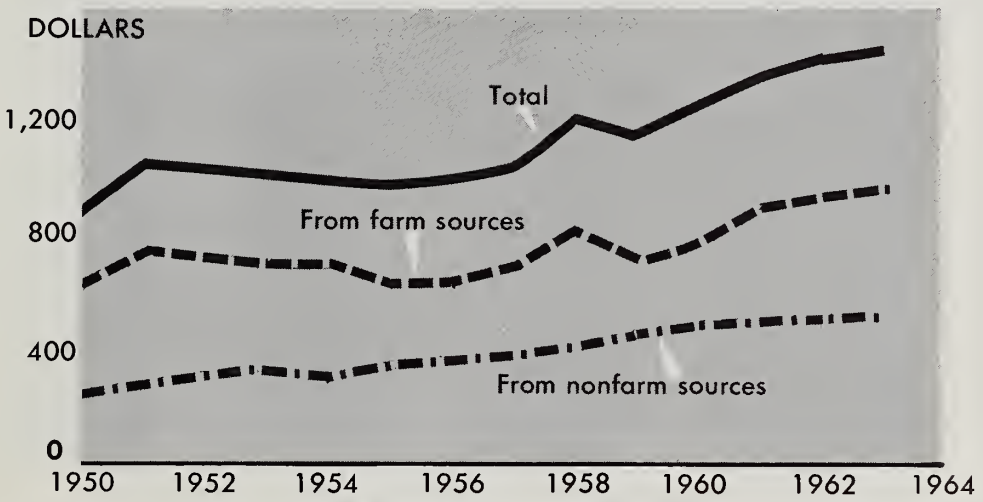
Projection methodology brings to bear extensive commodity research on demand analyses. However, no general equilibrium framework was available on which to simultaneously integrate all the variables. Statistical analyses, specified from programs, and trends in crop yields provide the basis for projecting crop output. Production of livestock products was estimated largely on the basis of relative prices for livestock, product-feed price ratios and the size of breeding herds. Feeding rates reflect livestock-feed price relationships, projected production of different types of livestock and technological innovations in livestock feeding.

## EXPENSES RISING; NET INCOME LOWER IN '63



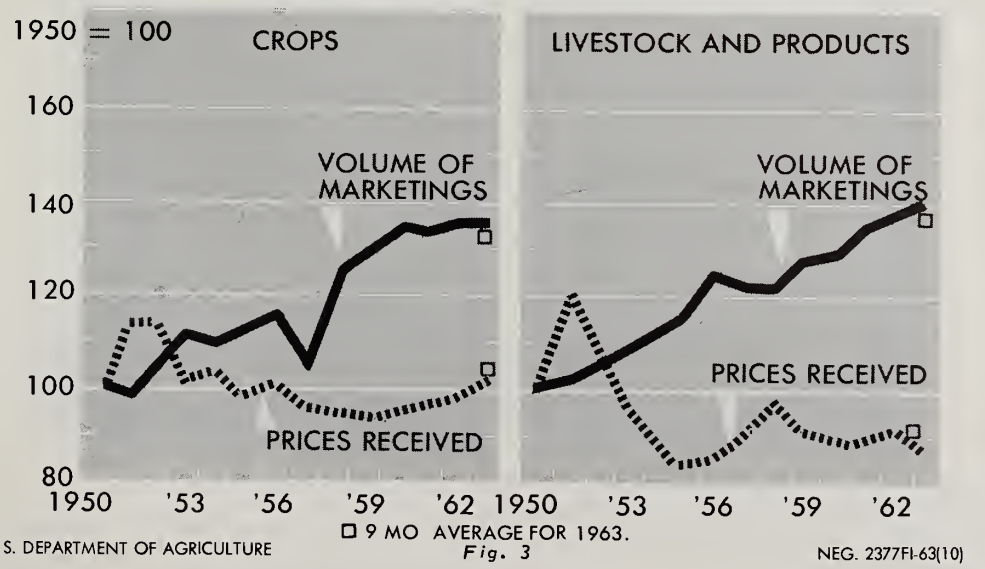

U. S. DEPARTMENT OF AGRICULTURE *Fig. 1* NEG. 1376FI-63(9)

## OFF-FARM SOURCES BOOST PERSONAL INCOME




U. S. DEPARTMENT OF AGRICULTURE *Fig. 2* NEG. 1238FI-63(9)

## 1963 CROP PRICES UP; LIVESTOCK PRICES DOWN




U. S. DEPARTMENT OF AGRICULTURE *Fig. 3* NEG. 2377FI-63(10)

Cash receipts from livestock product marketings have been about maintained this year as large marketings approximately offset lower prices. *(Fig. 3)* Prices for livestock products are running around 3 per cent below 1962, principally because of lower prices for beef, hogs and broilers.

The volume of marketings by farmers is rising this year and is expected to increase moderately in 1964. With expanding domestic and foreign markets, prices for most groups of commodities, except for wheat, are expected to be about the same. The rise in marketings has been boosted by increased output. Production of crop and livestock products this year is indicated around 2 per cent above 1962. A larger acreage for harvest and increased yields resulted in more corn, wheat, soybeans and sugarbeets.

Livestock and product increases reflect more beef, pork, poultry and eggs.

Cattle marketings are expected to increase again next year although not as much as the gain in 1963. Relatively low hog prices and fall and winter intentions for farrowing indicate a smaller hog slaughter next spring. Prospects for a further gain in livestock and product marketings and additional expansion in the domestic market during 1964 point to little change in the price level for livestock and products from 1963.

With average growing conditions and continuing adoption of new technology, another increase in crop output is likely in 1964. Current programs will again limit feed grain production. The 1964 program for wheat is expected to result in increased acreage and production. Increased output levels are also in prospect for soybeans and sugarbeets. Except for the influence of lower wheat prices during the second half of 1964, price levels of crops in the coming year likely will be little changed to slightly lower.

Farm production expenses have been rising around $700 million annually for the past decade. The rise reflects increasing prices paid and larger purchases of nonfarm inputs. Prices paid by farmers for production goods, interest, taxes and wage rates probably will creep up again in 1964. *(Fig. 4)* Higher prices paid and possibly lower prices received indicate some further tightening in the cost-price squeeze on agriculture.

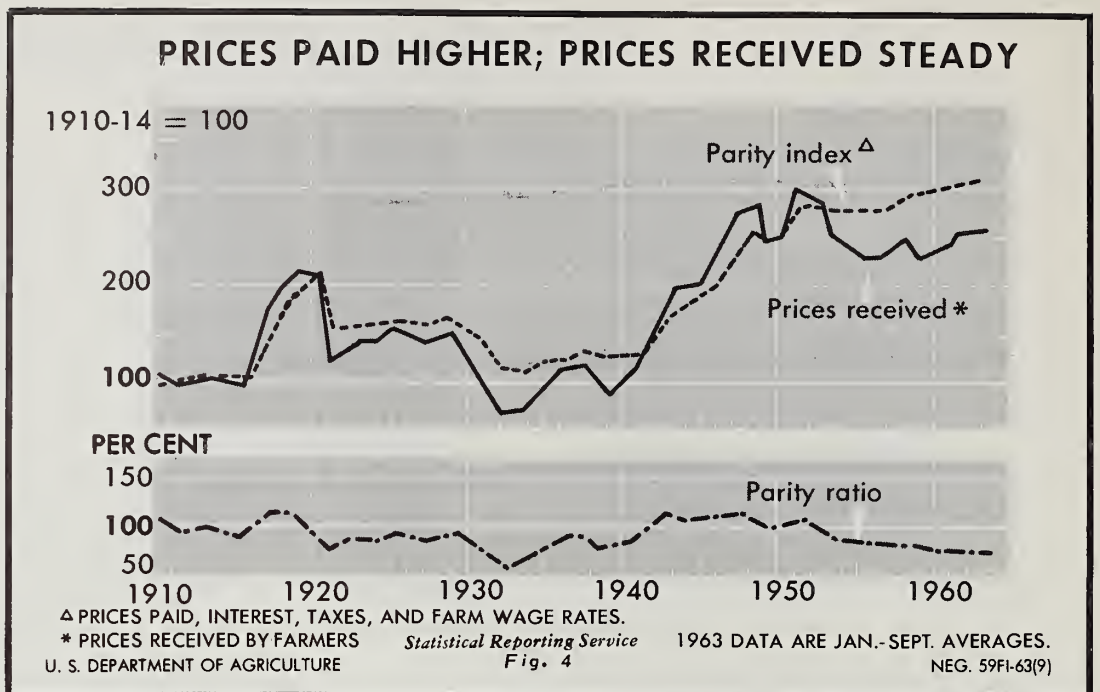
Carryover stocks of farm commodities are expected to total a little smaller in 1964; production will be larger but domestic and foreign markets are expanding. *(Fig. 5)*

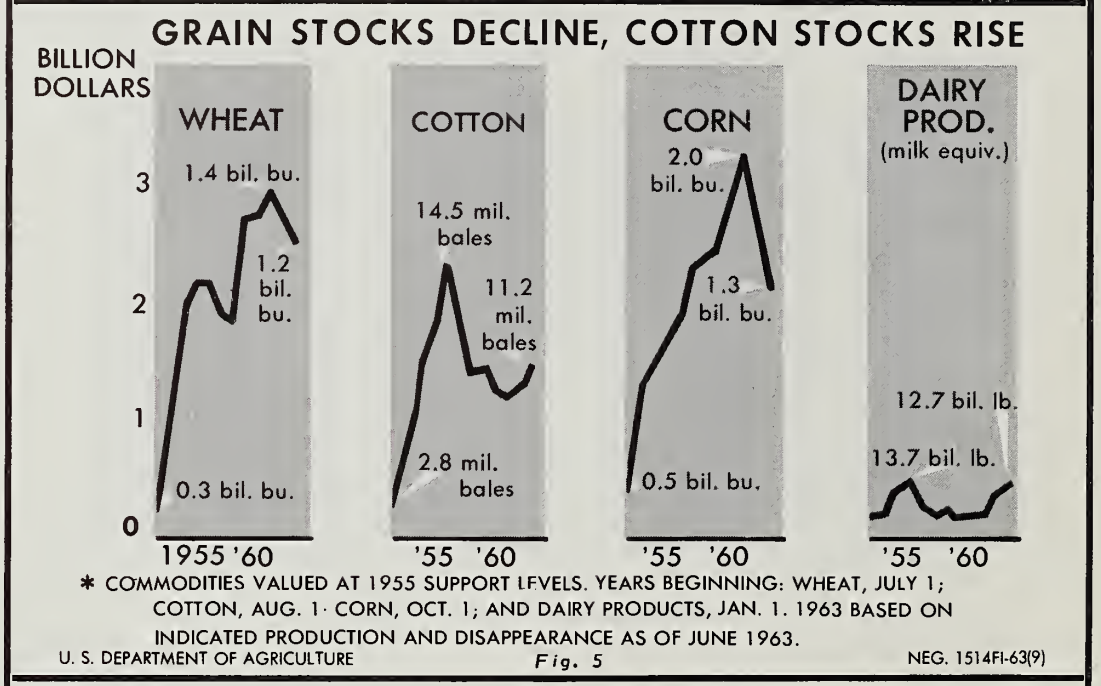
Wheat carryover next July 1 is expected to be about 500 million bushels below July 1963. Feed grain stocks are likely to drop 3 to 4 million tons from the 62.5 million ton carryover of 1963. Stocks of dairy products are decreasing in response to smaller production and increased exports. Cotton production this year is nearly as large as last and stocks are likely to increase further, possibly by more than a million bales from the 11.2 million on hand August 1, 1963.

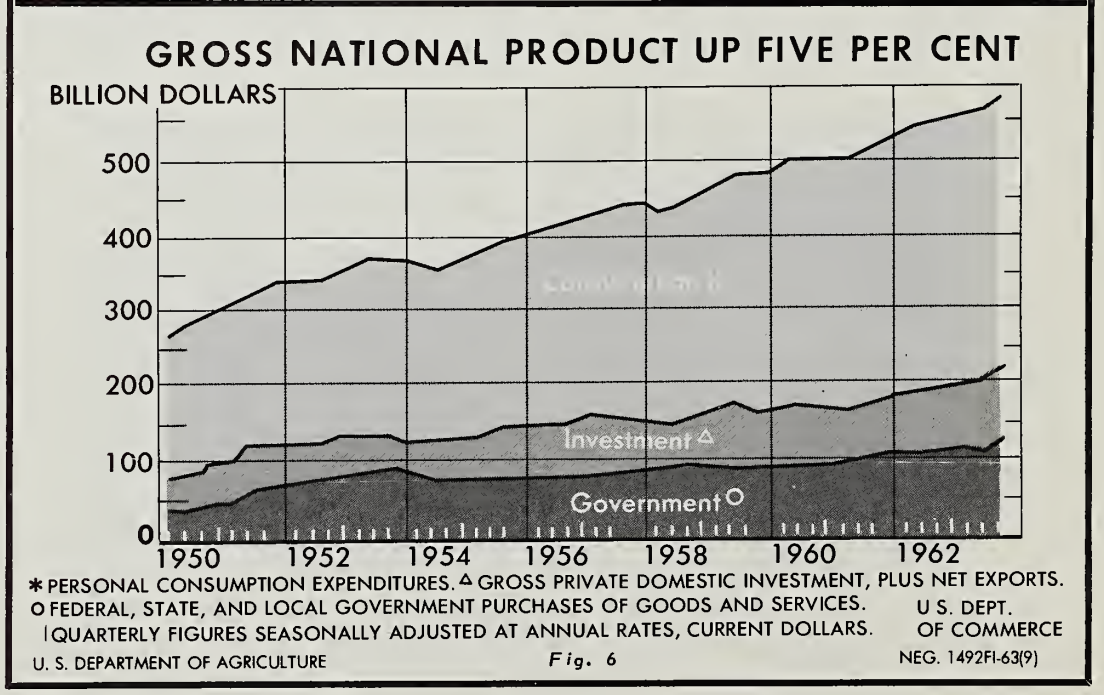
## DOMESTIC DEMAND

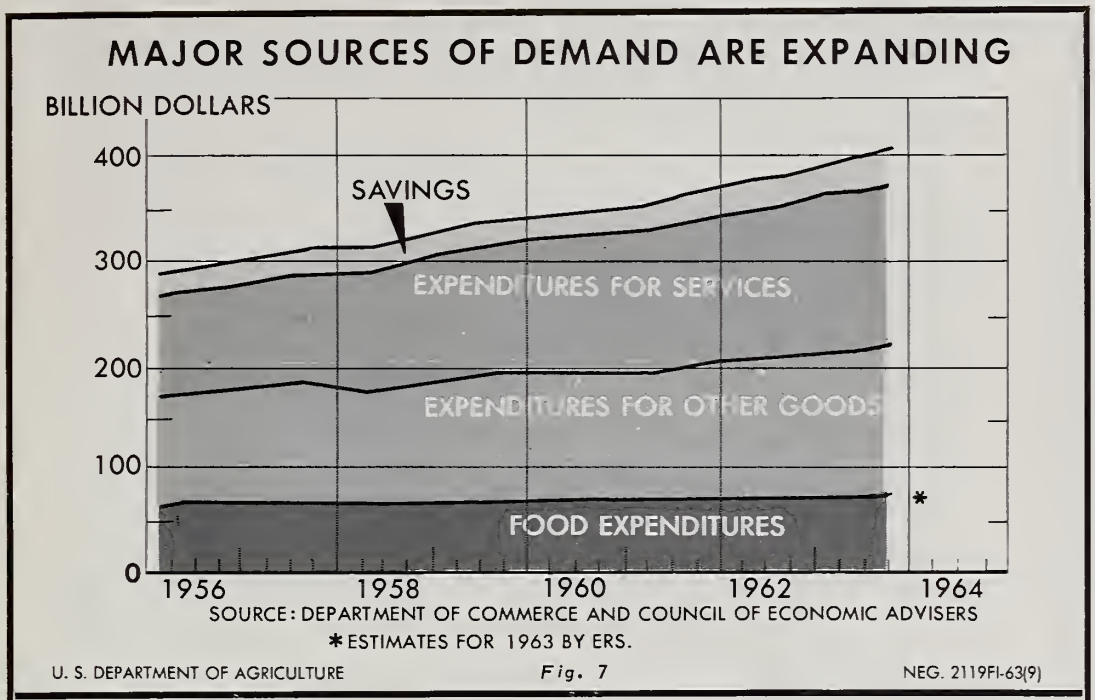
Economic activity, employment and consumer incomes are expected to continue expanding throughout 1964. *(Fig. 6)* The extent of the rise next year will depend in large measure on the outcome of proposed cuts in personal and corporate taxes. Econnomic activity increased at a fairly brisk pace this year with gross national product in the first three quarters up about 5 per cent from 1962.

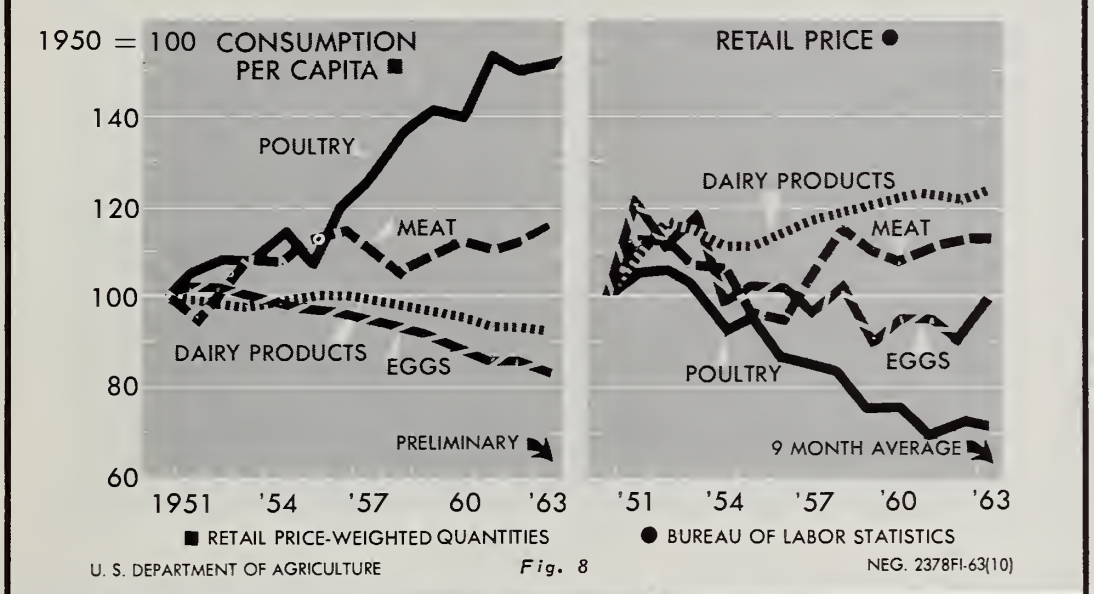
Retail expenditures for food are running around 3 per cent above 1962, a somewhat slower rise than last year. *(Fig. 7)* Larger supplies of food, particularly meats, moderated the rise in retail food prices to around one and one-half per cent over

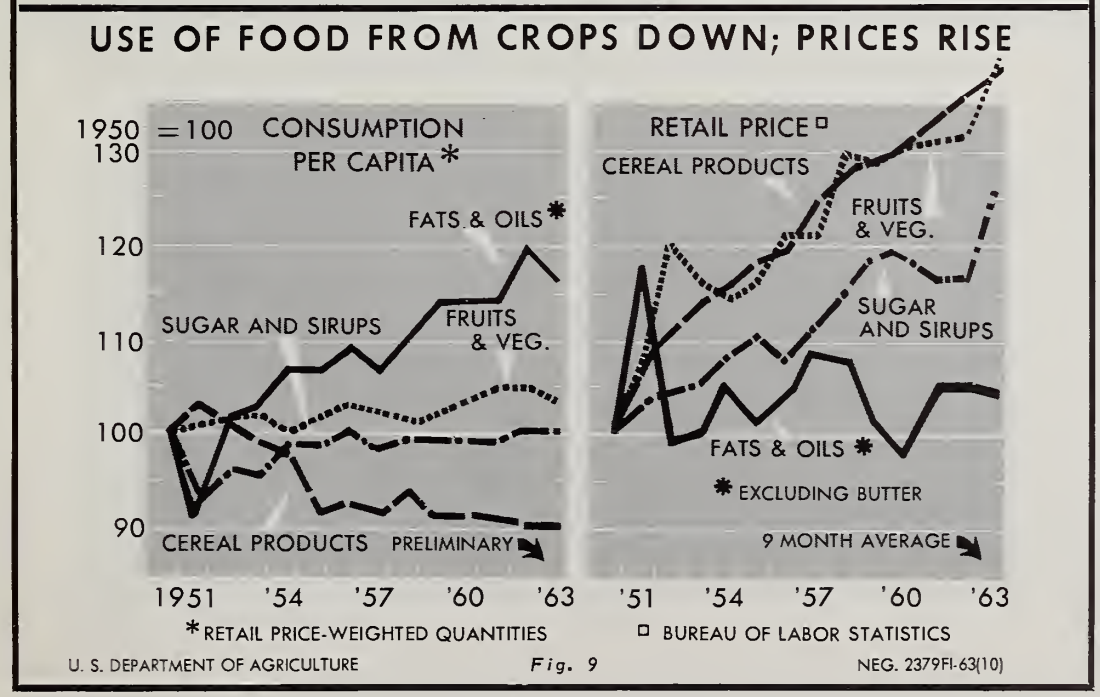





1962 despite higher prices for sugar, citrus fruits and early-season vegetables.

Recent increases in per capita consumption of meats, primarily beef and poultry, continue an uptrend which has extended over much of the past two decades. *(Fig. 8)* In the case of poultry, declining retail prices have provided a stimulus to stepped-up consumption. Upward trends in both consumption and prices for beef reflect rising demand.

A pronounced decline in recent years in per capita consumption of eggs and dairy products probably is due mostly to a weakening in consumer preference for these foods, but price rises in dairy products have taken place.

Trends in per capita consumption of crops for food also illustrate marked shifts in consumer demand—away from fresh fruits and vegetables and toward more frozen and canned items.

Consumption of cereals continues to decline. *(Fig. 9)* Changes in retail prices of food from crops have influenced modifications in diet but consumer preferences and the demand for convenience foods probably have played the major roles.

In 1963, total food consumption per capita rose an estimated one-half of one per cent above 1962. This is the largest year-to-year change since 1959 and compares with a total rise of only 4 per cent since 1947-49. Large increases in meat more than offset declines in per capita consumption of eggs, fruits (mainly citrus) and fish.

Indications for 1964 point to gains in consumption per person of beef, chicken and fish. However, these increases likely will be about offset by continued decline in consumption per capita of some dairy products, pork, eggs and fruit.

Retail food prices probably will rise slowly even if farm prices average slightly lower in 1964. But, they are not likely to rise as much as from 1962 to 1963.

The percentage of consumer disposable income spent for food continues to decline gradually. *(Fig. 10)* In 1962 expenditures for food were equal to about 19 per cent of disposable income. The steady drop in per cent of income spent for food from around 23 per cent in 1950 reflects primarily reductions in the farm value of foods.

As the consumer's income rises, he tends to spend proportionately more on the services of marketing and processing food. He also may spend more to upgrade his diet—more meats, for example—but in total, the percentage increase in expenditures for food averages only about two-thirds as much as the rise in consumer income. Thus with ample food supplies, rising income and slightly lower average prices for farm products, the percentage of income spent for food will decline again in 1964.

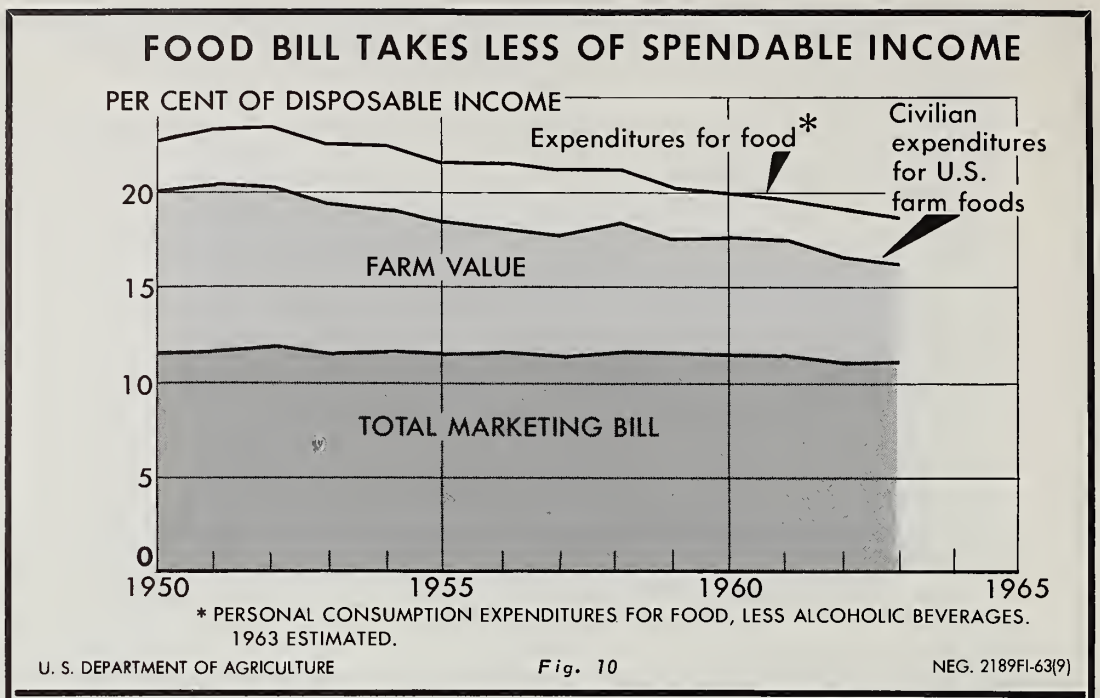
In recent years special food distribution programs for schools, charitable institutions and needy persons increased considerably and further increases are in prospect. *(Fig. 11)* Relative to total food consumption, these programs are still small. They distributed less than 2 per cent of total food supplies in 1963.

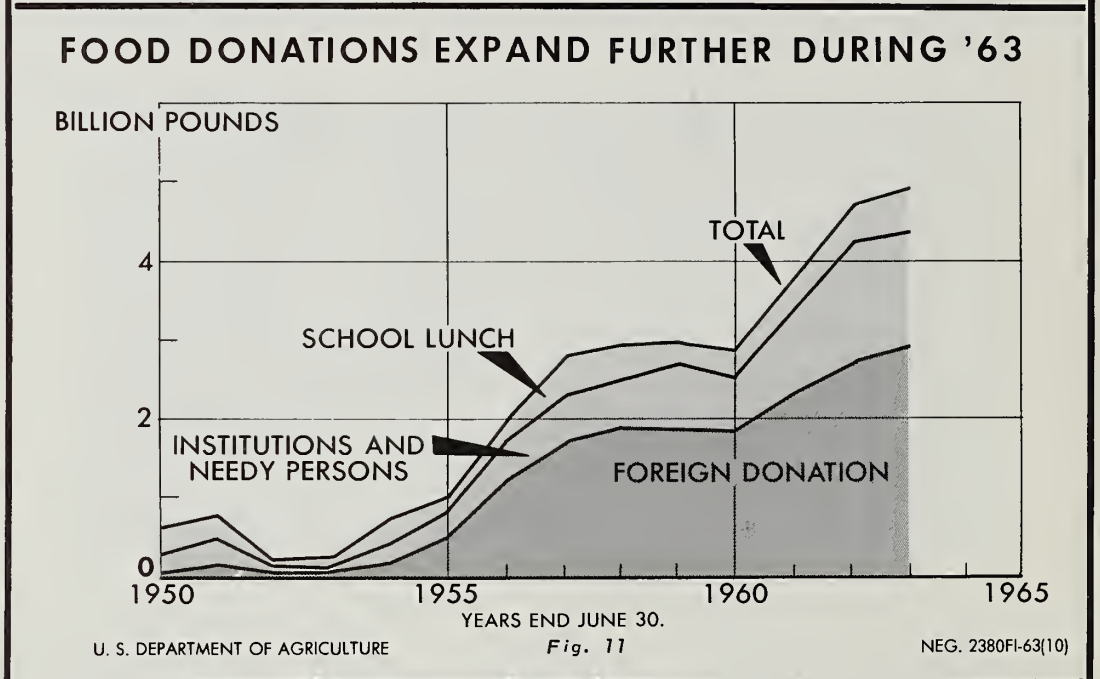
During 1964, donations for school lunches are expected to expand. Donations to foreign needy persons account for more than half of the special food distribution programs.

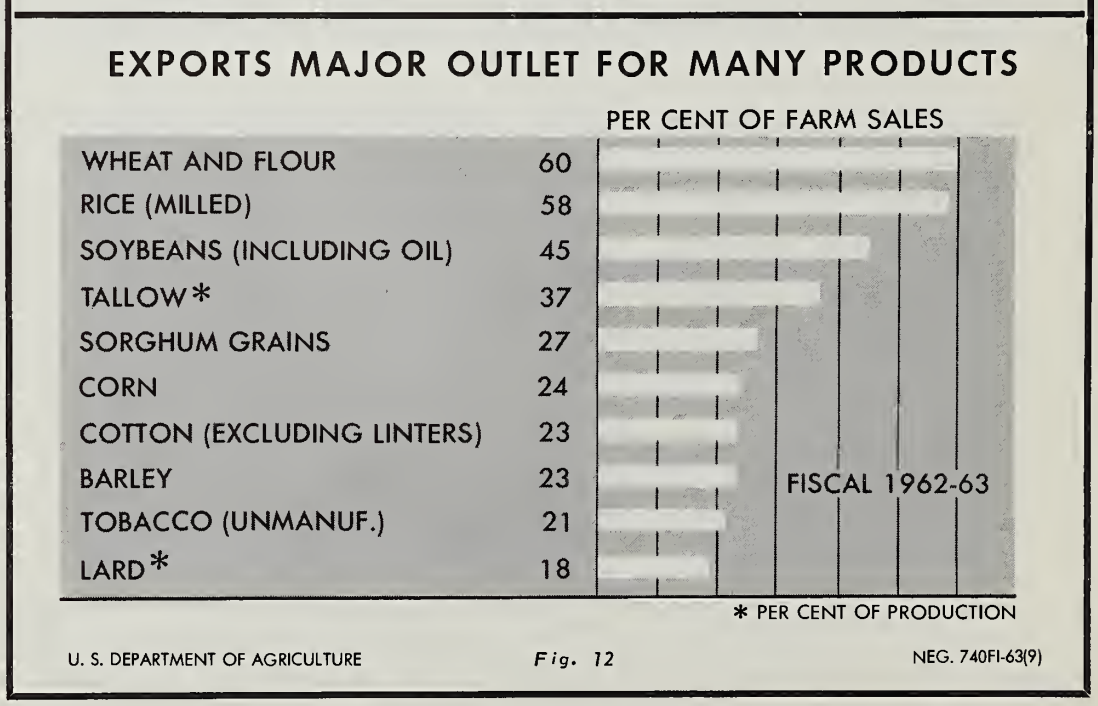
Nonfat dry milk, flour, chopped meat and butter were the major foods donated in all domestic distribution programs in 1963.

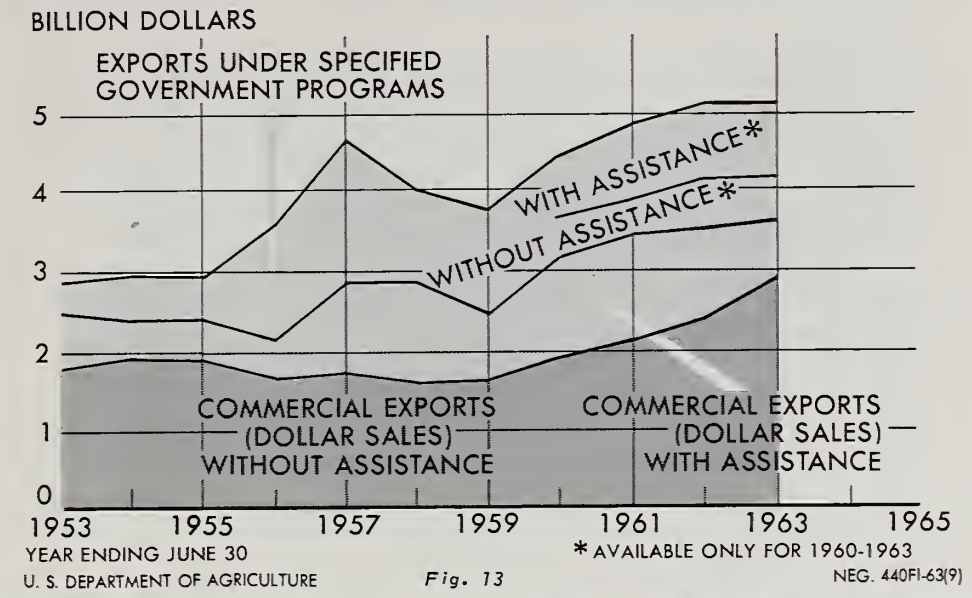
## FOREIGN DEMAND

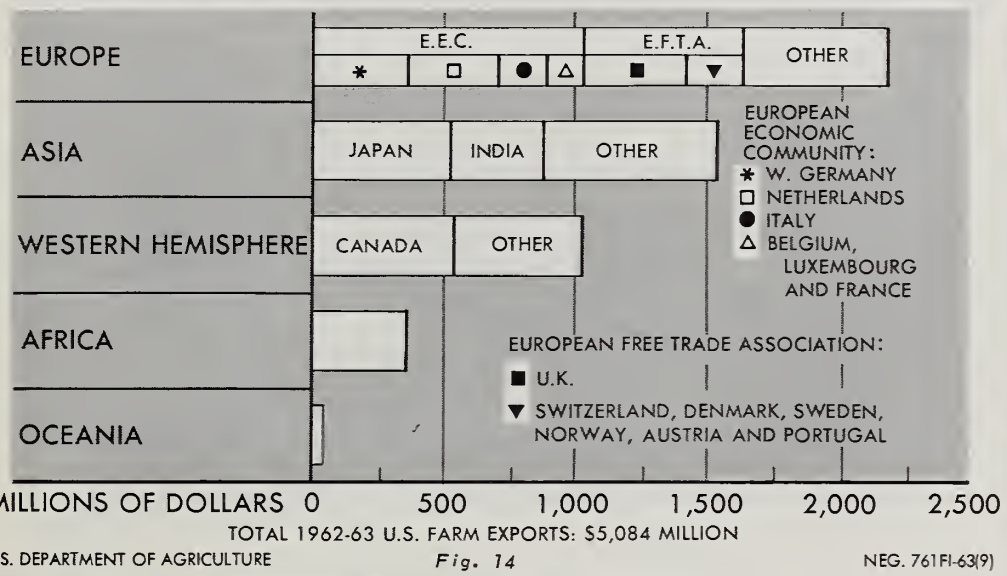
Exports are an important market outlet for U.S. farm products. In 1963, agricultural exports were equal to an estimated 16 per cent of U.S. farm production. *(Fig. 12)* In 1962-63, export markets took more than half of the U.S. output of wheat and rice, over two-fifths of the soybeans (including bean

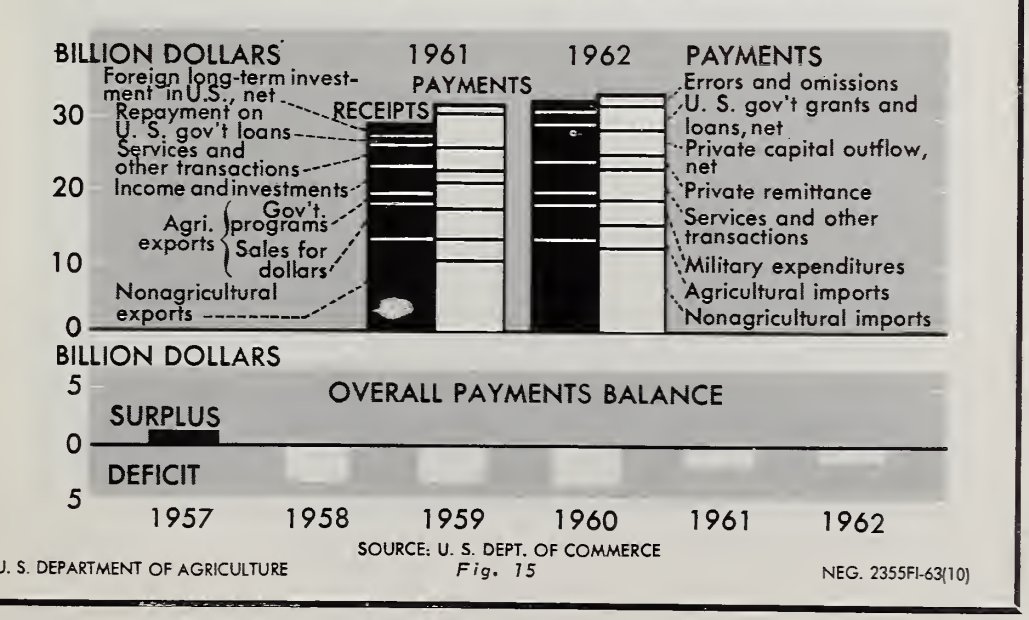





equivalent of oil), one-third of the tallow and around one-fourth of the feed grains and cotton. Agricultural exports account for nearly one-fourth of total exports and contribute substantially to total U.S. export earnings.

In the current fiscal year, U.S. agricultural exports are expected to rise to around $6 billion from the $5.1 billion in 1962-63 if trade is expanded appreciably with Eastern Europe and Russia. Increases are anticipated in exports of cotton, wheat, soybeans, vegetable oils and tobacco.

Commercial sales for dollars were at a record level in fiscal 1963, accounting for about 70 per cent of total farm exports. *(Fig. 13)* Dollar sales accounted for $3.6 billion, with the remaining $1.6 billion financed under government programs including foreign currency sales, donations, barter and long-term dollar credits.

Commercial sales for dollars in fiscal year 1964 should be a record high again by a substantial amount.

Trading blocs have become important markets for agricultural exports. Together they accounted for about two-fifths of U.S. exports in 1962-63. *(Fig. 14)* The European Economic Community and the European Free Trade Association are the most important blocs. In fiscal 1963, exports to EEC totaled nearly $1.1 billion and to EFTA more than $608 million. Other important markets include Japan, Canada and India. In recent years there also has been a rapid expansion in exports to Africa.

During the first half of 1963, the overall balance of payments deficit averaged $4.2 billion (annual rate), compared with an improved $2.2 billion in 1962. *(Fig. 15)* The deficit is measured by the reduction in U.S. monetary assets and the increase in liquid dollar liabilities excluding U.S. government sales of securities to foreign monetary authorities.

## MARKETING COSTS AND SPREADS

The market basket of domestic farm-originated food products cost 1 per cent more in the third quarter this year than in the like period of 1962. *(Fig. 16)* But the farm value or return to farmers for these products was 4 per cent lower this year than last. Charges for marketing these foods, as measured by the spread between the retail cost and farm value, were 4 per cent higher in the third quarter than a year ago.

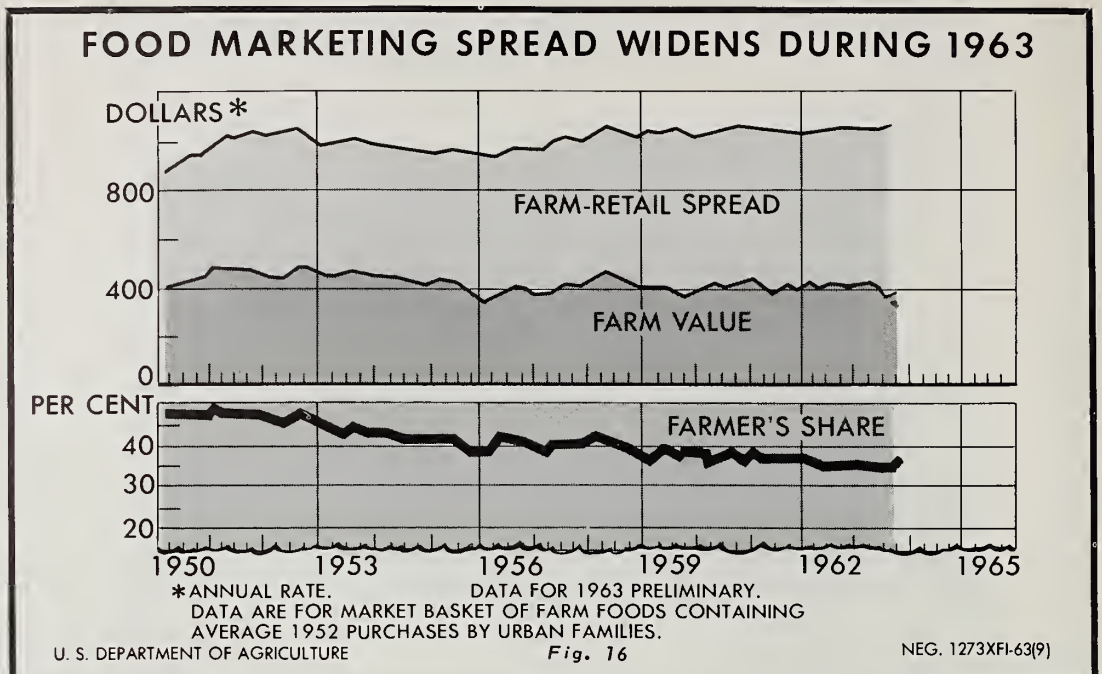
Rising marketing charges and declining farm prices reduced the farmer's share of the consumer's food dollar to 36 cents in the second quarter this year, the lowest since the mid-thirties. The share averaged 37 cents in the third quarter and may average about 37 cents for all of 1963.

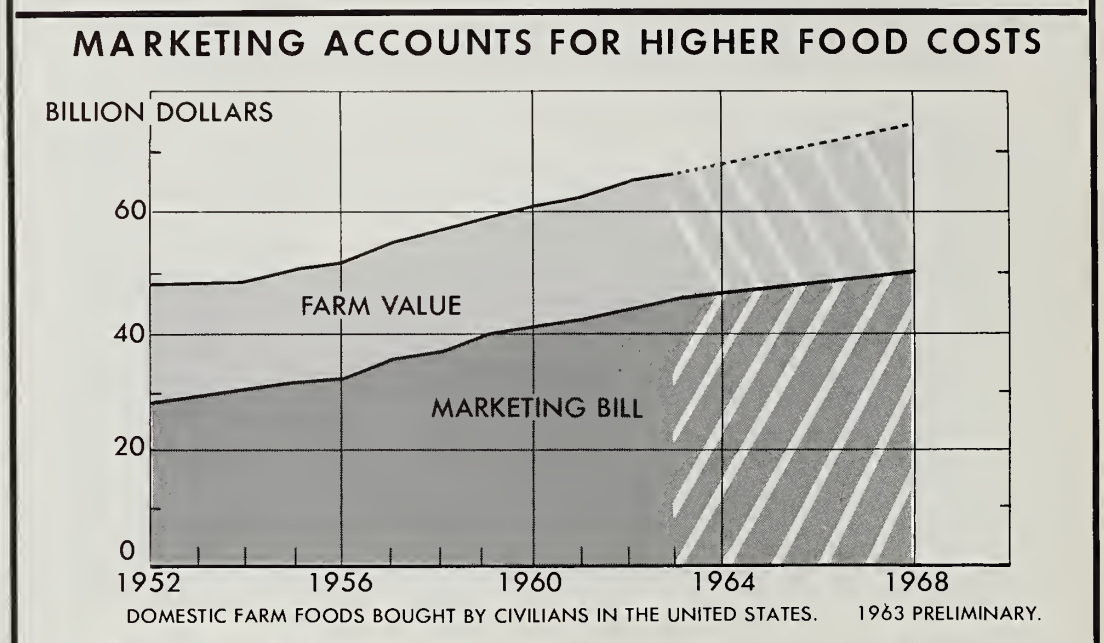
The total bill for processing and distributing farm food products sold to civilians has climbed steadily since 1950. *(Fig. 17)* Increases reflect rising costs of labor, transportation, equipment and other goods and services, a growing volume of products handled and increased processing and distributing services per unit of product. The 7 per cent rise in the marketing bill from 1962 to 1963 was the largest annual increase in several years.

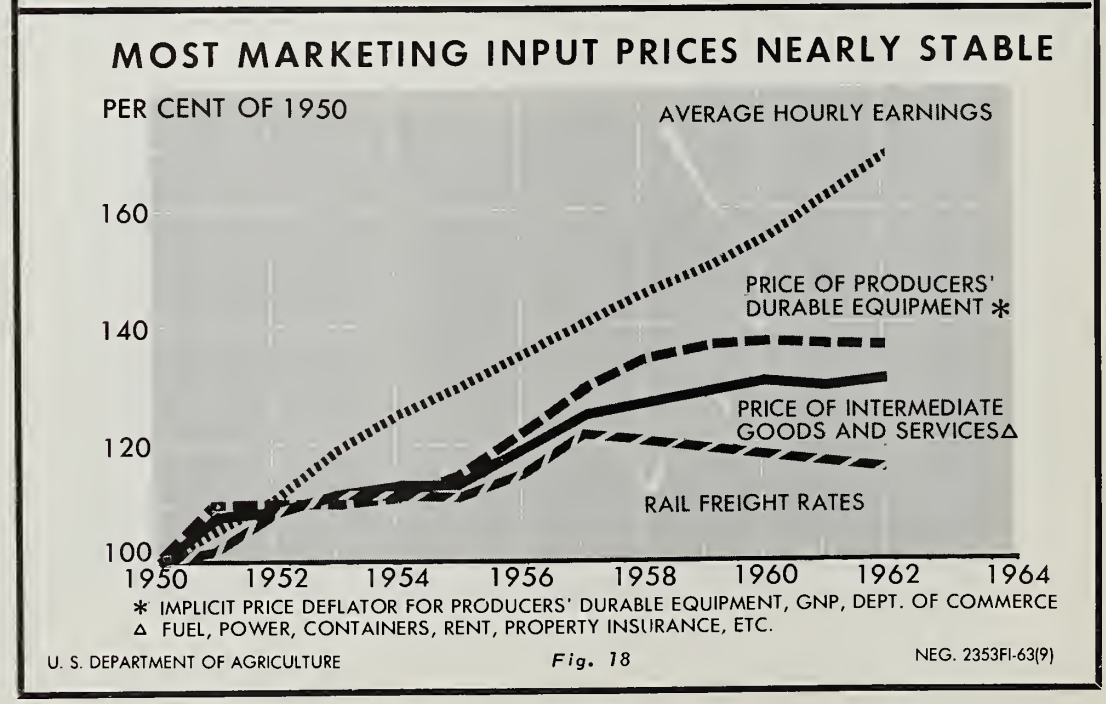
U.S. farmers' receipts from food products sold to civilians (the farm value) was 21 per cent higher in 1963 than in 1950. All of the increases resulted from expansion in volume of products handled; average prices received by farmers for products were lower in 1963 than in 1950.

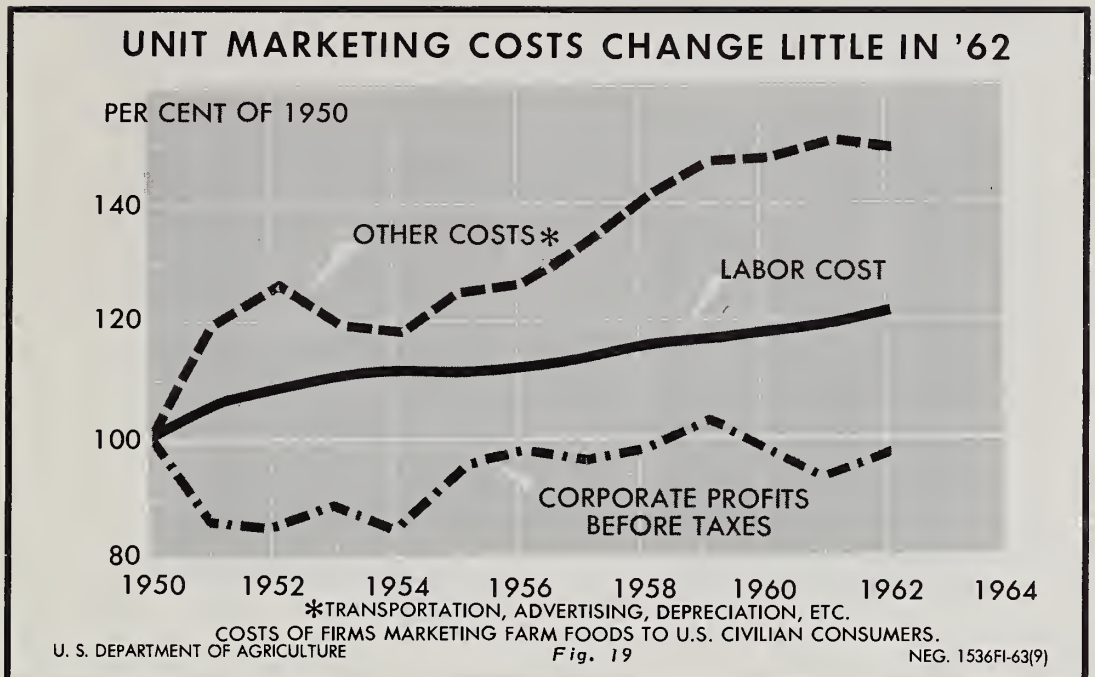
Average hourly earnings of workers in food marketing enterprises climbed steadily from 1950 to 1962. *(Fig. 18)* Prices of intermediate goods and services averaged about a third higher in 1962 than in earlier years, but have been stable recently.

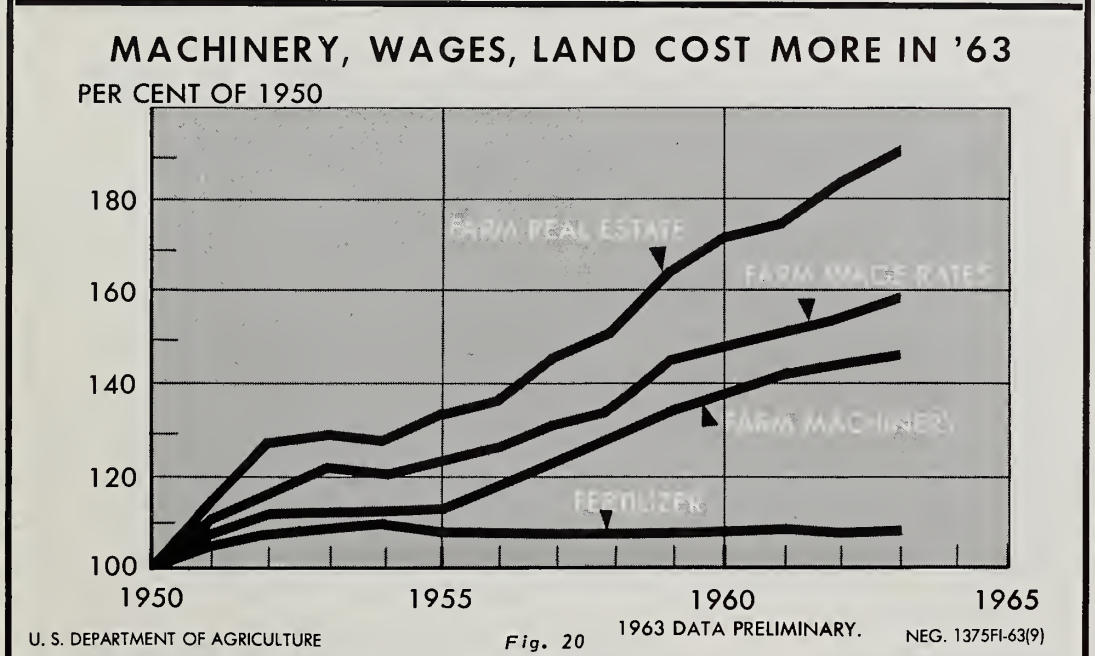
Prices of producers' durable goods (which affect depreciation

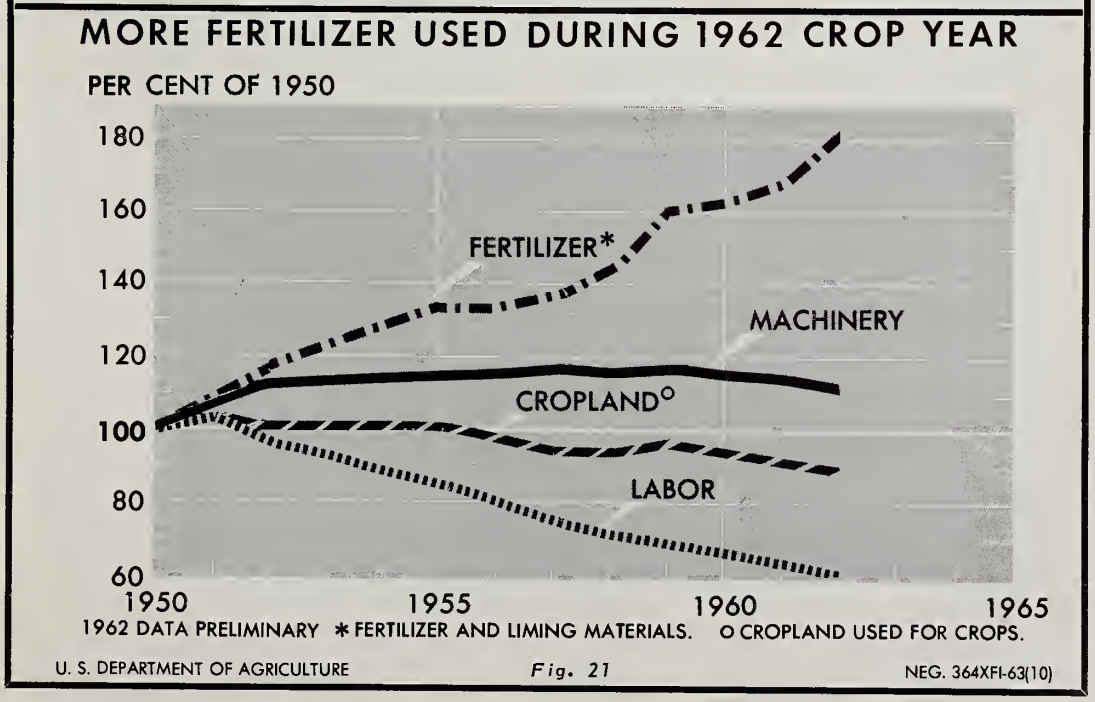





charges) have been stable since 1959 after increasing 36 per cent earlier. Rail freight rates for farm foods have declined slightly.

Gains in output per man-hour moderated the rise in labor costs. While average hourly earnings climbed 68 per cent between 1950 and 1962, unit labor costs went up 25 per cent. *(Fig. 19)*

The cost of other inputs per unit of product has leveled off in recent years. Corporate profits fluctuated throughout the 1950-62 period but on a per unit basis (after taxes) they averaged a little higher in the early 1960s than in the early 1950s.

## OUTPUT AND FARM ORGANIZATION

Crop and livestock output are at record levels; they set farm production in 1963 at a new peak —27 per cent above 1950 and 2 per cent higher than last year.

Prices of most farm production inputs have risen and with the substantial increase in farm output since 1950, total farm production expenses went up about 45 per cent. *(Fig. 20)* From 1962 to 1963, expenses rose about $600 million. A similar increase is expected for 1964.

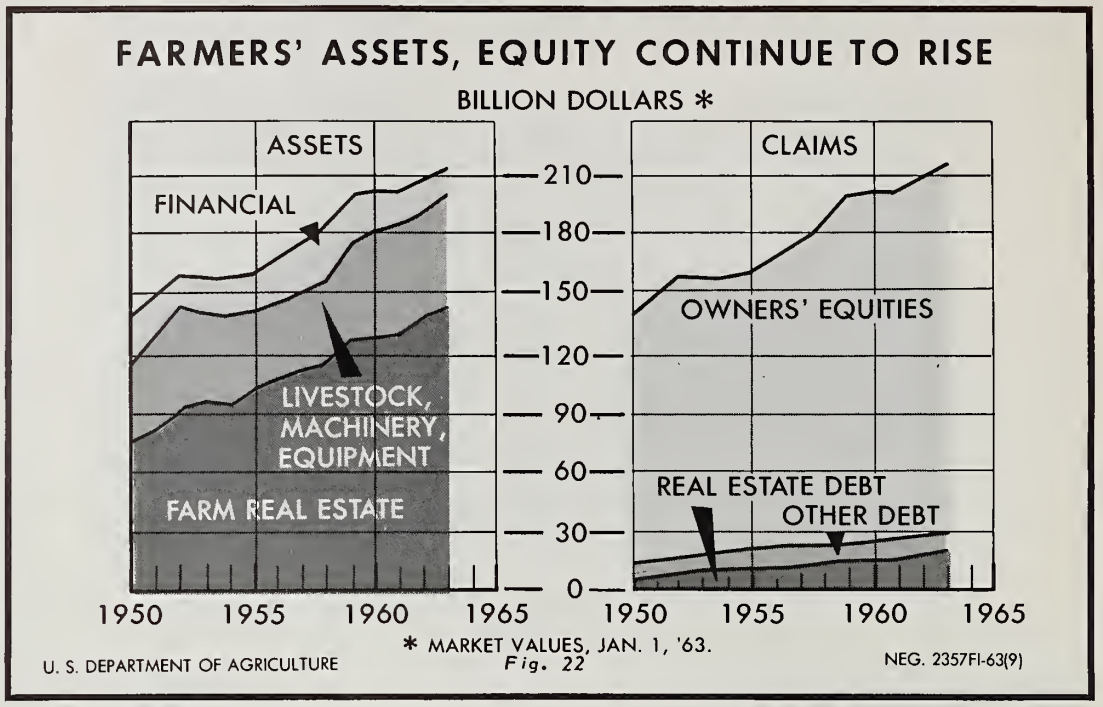
Two of the major inputs—land and labor—have had large price advances—91 and 60 per cent, respectively. However, farmers have been substituting nonfarm inputs such as fertilizer and machinery for land and labor. The 80 per cent increase in the use of fertilizer was the main factor enabling larger crop production on fewer acres. *(Fig. 21)*

Greater yields per acre and increased output per head together have helped reduce the amount of labor used in farming by more than 40 per cent. Continued substitution of more productive inputs for those of low or marginal return can enable farmers to produce the additional output required in 1964 with little or no increase in total inputs.

The value of farm assets has continued upward in 1963 and will reach a record high of about $226 billion by January 1, 1964—nearly $10 billion more than in 1963. *(Fig. 22)* Farm debts also have risen sharply but less than farm assets. Thus, farm equities are expected by January 1 to show an increase for 1963 of about $7 billion. As in recent years, most of the gain in assets and equities in 1963 will result from the rise in farm real estate values. Physical farm assets other than real estate will be up nearly $1 billion this year; farm financial assets will be about $500 million higher.

Production assets per farmworker nearly tripled between 1950 and 1963 when they totaled more than $51,000. The continued increase in the average size of farms—from 213 to 314 acres—plus a higher value per acre accounted for most of the increase.

With approximately two workers per farm this year, the average value of production assets per worker rose to $25,390, also nearly triple the 1950 figure.

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## Prospects for American Agriculture Within Five Years

American agriculture during the next five years will continue to be beset with price and income problems springing from an output potential in excess of normal markets.

Assuming a continuation of present programs, feed grain stocks would be reduced by 1968. But a further build-up in the already generous stocks of cotton is likely. Milk output probably will continue in surplus also.

With slightly lower average prices and a 13 per cent increase in farm output, cash receipts likely will rise about a tenth from 1962 to 1968. Production expenses also will continue to climb and result in a decline in projected net incomes of farm operators around 9 per cent below 1962.

However, the decline in the number of farms is expected to continue, possibly to around three million units by 1968. Accordingly, projected net farm income per unit would rise by more than 10 per cent from 1962.

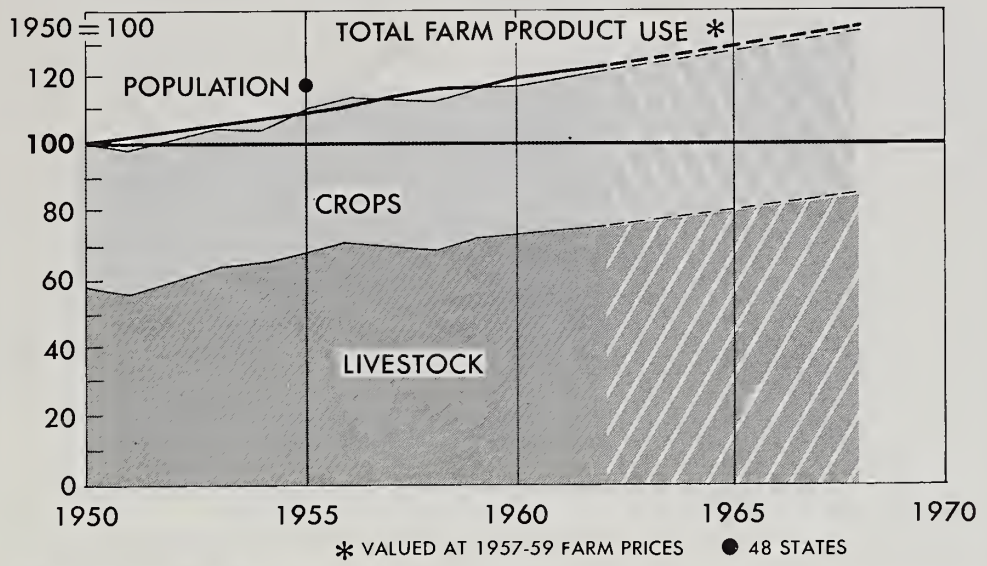
Consumer demand for food and other farm products will expand, possibly by around 11 per cent, from 1962 to 1968. *(Fig. 23)* With slightly lower farm prices, retail food prices will likely continue to rise slowly. Accordingly, consumers will spend more for food but the total will be a smaller share of their income.

Consumers will continue to modify their diets and are expected to purchase more processing, packaging and other services with their food. Although little change is expected in per capita food consumption, rising incomes and trends in consumer preference will substantially alter the diet. However, pounds of food consumed per person may continue to decline slightly with little change in per capita intake of calories and possibly some nutritional upgrading of the diet.

Nonfood uses of farm products other than for feed probably will increase less than the population. Use per person of cotton is projected to decline under current programs, but probably less rapidly than during the past decade.

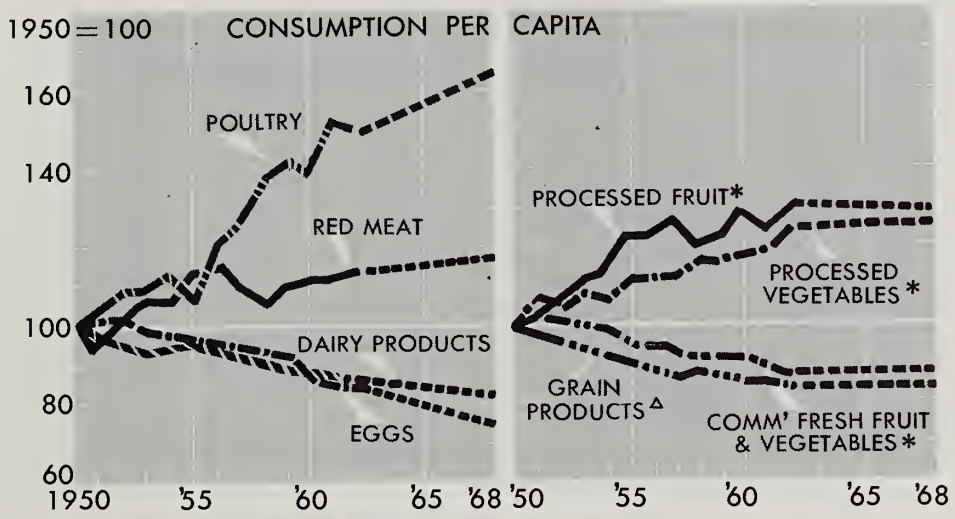
Combined per capita consumption of livestock products is projected to increase very little—possibly less than 1.5 per cent. *(Fig. 24)* However, a further sizeable increase in the demand for beef and poultry is in pros-

## POPULATION, USE OF FARM PRODUCTS PARALLEL



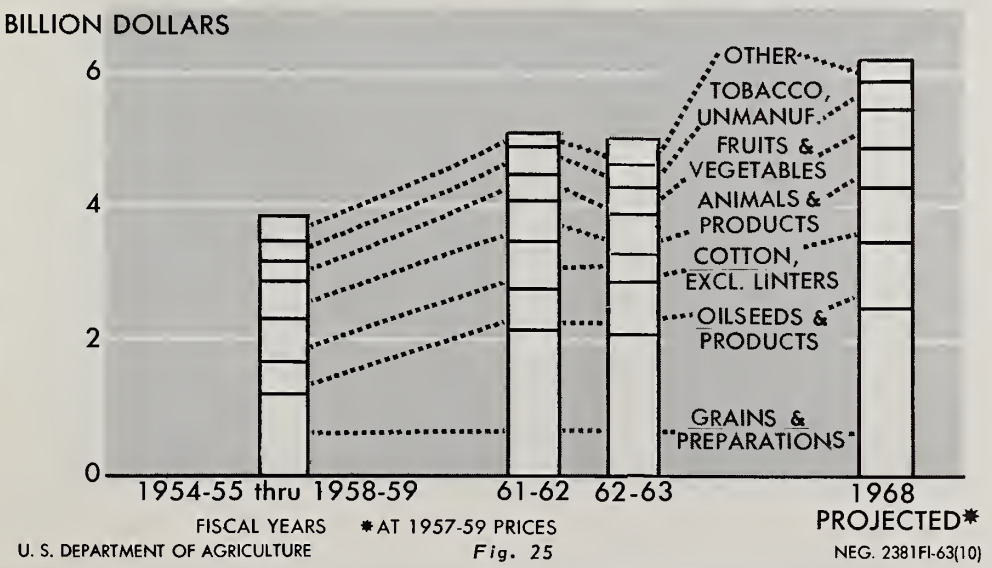

U. S. DEPARTMENT OF AGRICULTURE *Fig. 23* NEG. 2382FI-63(10)

## MORE POULTRY, RED MEAT IN DIET BY 1968




U. S. DEPARTMENT OF AGRICULTURE *Fig. 24* NEG. 2383FI-63(10)

## PROJECTED EXPORTS ABOVE $6 BILLION LEVEL




U. S. DEPARTMENT OF AGRICULTURE *Fig. 25* NEG. 2381FI-63(10)

pect. Part of this gain likely will be offset by small declines in per capita consumption of pork, veal, lamb and mutton. The downtrend in consumption per person of eggs and dairy products likely will continue, though probably at a slower rate.

Combined per capita food use of crops is expected to change little, if any, in the next five years. However, some shifts in consumption are expected—away from fresh use of fruits and vegetables and toward increased consumption of frozen, canned and other processed convenience foods. The downtrend in per capita consumption of wheat is projected to continue into 1968.

Part of the increase in domestic demand will be supplied by moderate increases in coffee and other foods not grown in the U.S. and by expanding imports of processed meats. At the same time, foreign markets will take around 15 to 16 per cent of U.S. farm output. In addition to an expansion in commercial exports of farm products, current program assumptions include an active Food for Peace program with continued large shipments under P.L. 480 and other programs.

Exports of farm products are projected for 1968 at a level nearly one-fifth above 1962. *(Fig. 25)* Shipments likely will include more than half the U.S. output of food grains; around a third of the cotton, soybeans and vegetable oils; and substantial amounts of feed grains and tobacco.

Under conditions assumed for 1968, total farm output is projected to increase about 13 per cent from 1962. This compares with a gain of 11 per cent from 1956 to 1962.

Output of livestock products likely will increase 12 per cent from 1962 to 1968, compared with a gain of 8 per cent in 1956-62. As would be expected from changes in demand, the largest increases are indicated for meat animals, particularly beef, and

for broilers. Similarly, the slower rise in output for hogs and the relatively small increases for dairy products and eggs reflect prospective moderate gains in demand. *(Fig. 26)*

Crop output is projected to rise by 13 per cent from 1962 to 1968. By comparison, crop output increased by about 14 per cent from 1956 to 1962. The largest output gains are projected for oil crops, wheat, feed grains and some of the minor crops.

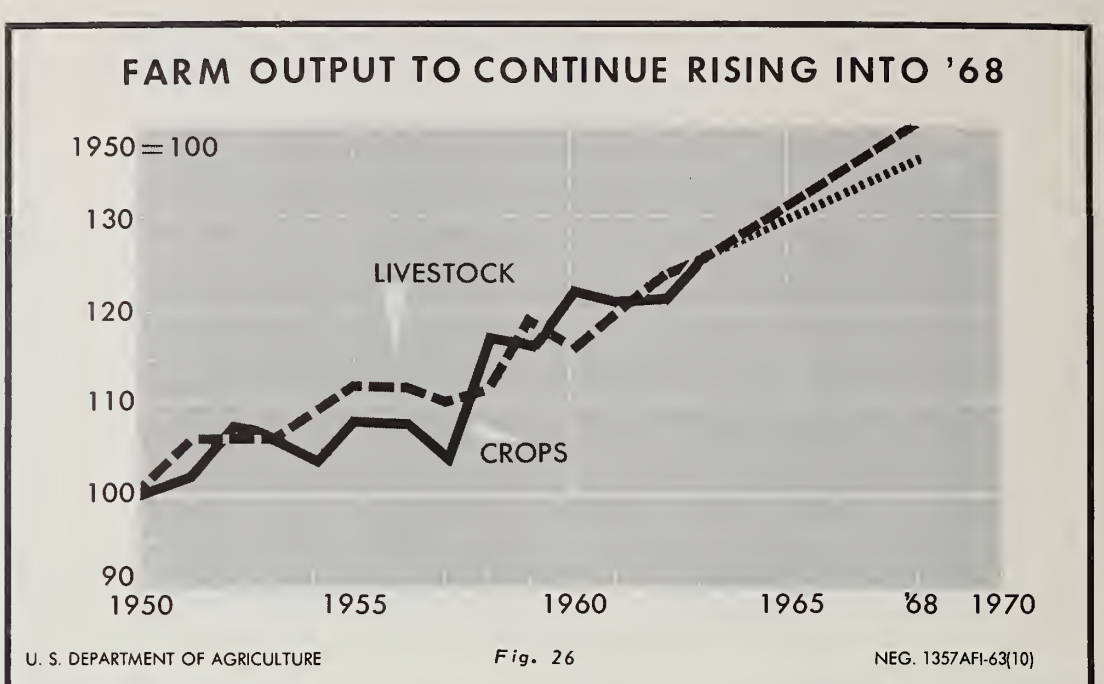
The rapid rise in productive efficiency of agriculture is expected to continue. *(Fig. 27)* With moderate gains in production and further technological developments, the use of labor in agriculture will continue to decline, possibly by as much as 12 to 15 per cent within the next five years.

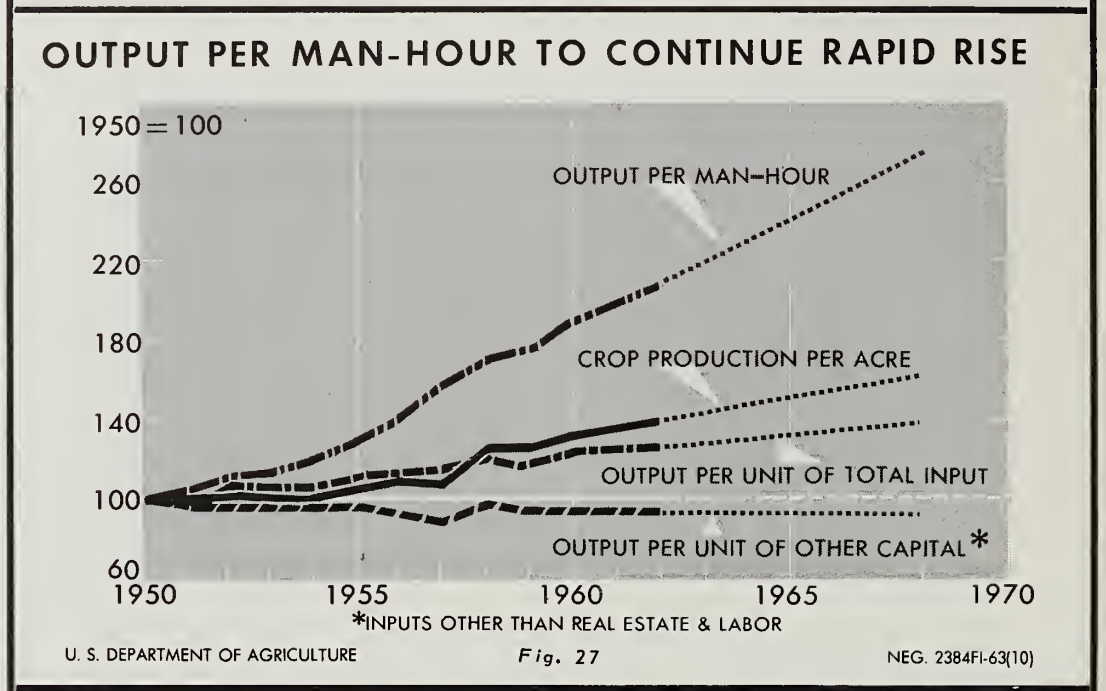
Resource inputs other than labor and land are projected to rise around 12 per cent from 1962. Land used for crops also is expected to rise.

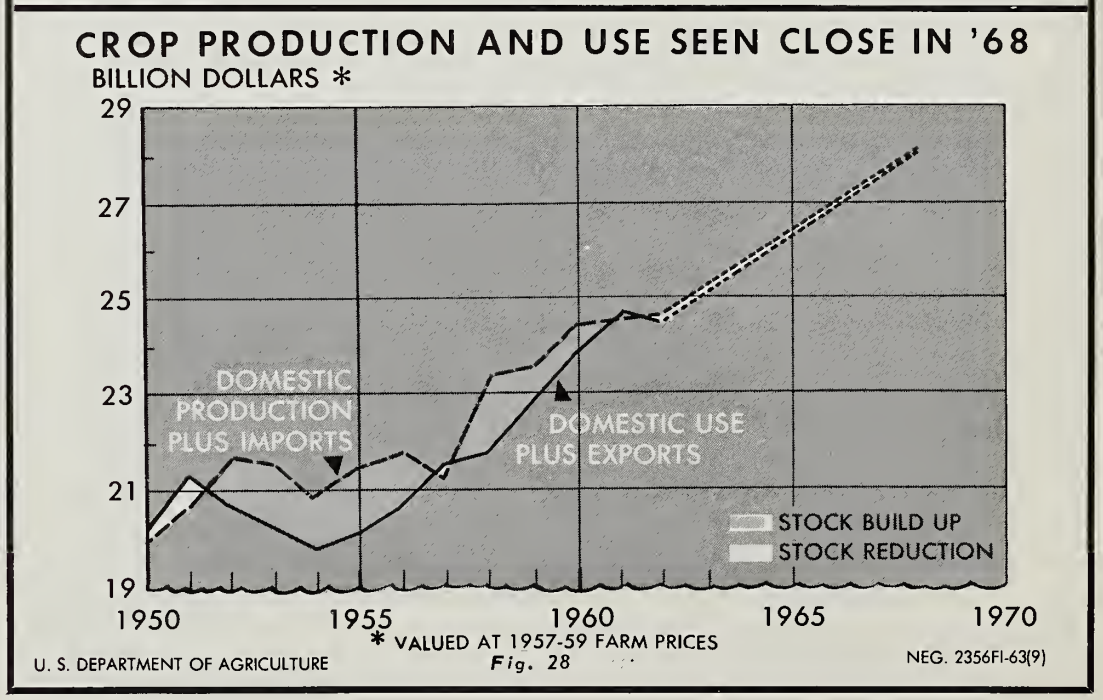
Under current programs, acreage in the conservation reserve and other diversion programs will decline.

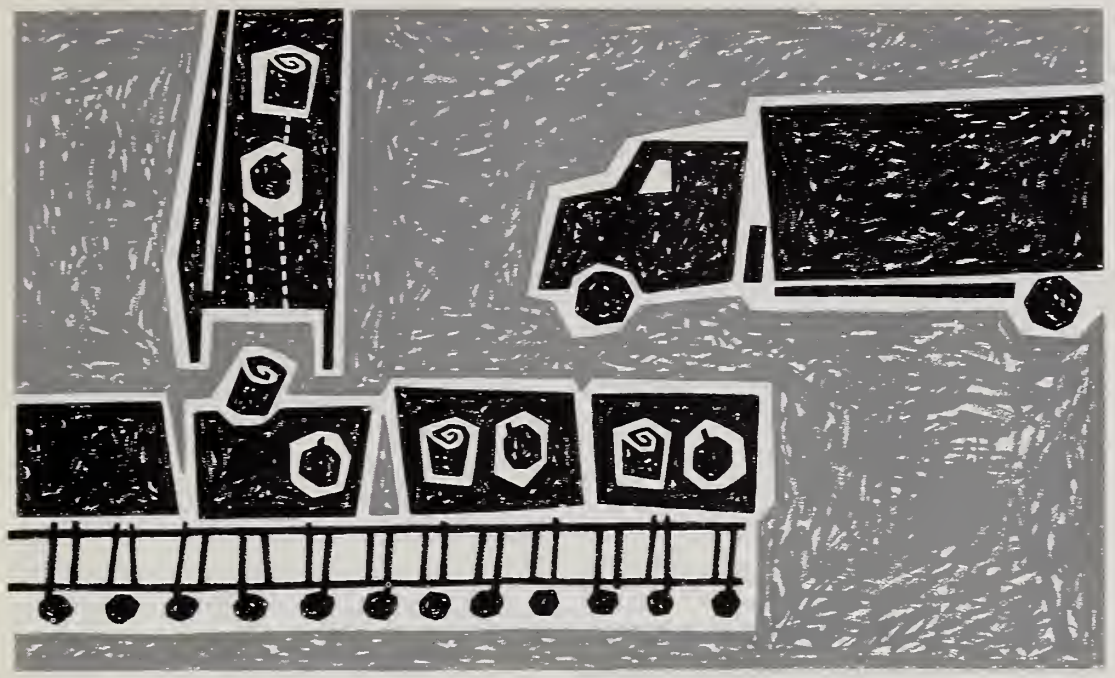
Crop production per acre increased about 2.5 per cent per year in the 10 years ending in 1962. With average growing conditions and prices around current levels, a continued rise in crop output per acre is anticipated for the next several years.

The projected utilization-supply balance for agriculture points to a small overall liquidation in carryover stocks. *(Fig. 28)* Grain stocks, particularly feed grains, have been reduced substantially in the past three years and a further reduction is projected. But, a further rise is indicated for cotton stocks. Increased feeding of wheat and larger exports would result in a further reduction in carryover, but not to desired "normal" levels. Big increases in exports to the communist bloc may cut wheat stocks and change the demand-supply balance.





# MORE MONEY FOR MARKETING

The marketing outlook for 1964 and projections to 1968 are for more of the same—more services performed by the food trades, a bigger increase in workers and total resources in processing and distribution compared with the farm, and more of the food dollar going to the marketing system, less to the farmer.

In 1962, consumers paid about $64 billion for domestic farm food products. About $21 billion went to farmers, $43 billion to the marketing system. By 1968, consumer expenditures are likely to increase by $10 to $12 billion. All but about $2 to $3 billion will go for added marketing services.

Even so, the consumer can expect to spend less of his pay check on food, because of higher incomes, increased efficiency on farms and an improved marketing system.

First thanks for bargain supplies of food go to the farmer. With better machines, pesticides and the rest of the advanced techniques at his disposal today, one farmworker now produces enough food and fiber for 29 persons. As recently as 1950, the number of persons supplied was only 15.

The marketing man has also managed to step up his efficiency, though less dramatically than the farmer.

In 1962, for example, the volume of food moved through the marketing system was 32 per cent higher than in 1950. But during the same period, the number of workers in marketing firms increased by only 11 per cent.

The emphasis in the next few years will continue to be on services for the consumer. The larger population alone will add to the job of the marketing system, just as it has in the past two decades. Other trends that will shape marketing in the future are:

—the continuing decline in the farm population, the rising percentage of city people;

—greater specialization and higher incomes on the farm, with families raising less of their own food, buying more of it from the store;

—more people buying their meals in restaurants and other eating places.

The first two points will have less and less effect on food production and marketing as the years go by for the simple reason that the farm population can't continue to drop indefinitely.

The most important cause of the rise in services required per person is the continuing trend to eating out. With incomes on the upswing and more wives working, more of our food money will be spent at lunch counters, restaurants, cafeterias and such.

There will also be more convenience foods in the grocery cart, but there is little evidence to date that the foods with built-in maid service actually raise the marketing bill per person.

The projections for 1968, under current farm programs, suggest little change in overall prices to agriculture. With relatively stable prices for farm products and rising real income, the gap between farm and retail prices of food may continue to widen, with services, as opposed to production or processing, causing the greatest pressure.

Even so, expenditures won't climb as fast as incomes, so the proportion of income going for food should continue to decline.

We now spend about 19 per cent of our incomes for food, compared with a postwar high of 27 per cent.

In 1963, the farmer's return from a market basket of farm foods was 13 per cent below the 1947-49 average, while the spread between farm and retail prices increased 44 per cent.

Though the marketing system isn't under the same pressure as the farmer, it is still competitive enough to force economies on the trade for awhile.

So far, the larger size and concentration of buying units has kept profit margins down; efficiency has been on the rise. How long this will last is unknown.

The entrance of discount food stores is one development that will keep wholesalers and retailers on the alert. But an excess of new stores with attendant inefficiencies would push down prices to farmers, lower capital values in retailing, or possibly increase prices to the consumer. *(29)*

## Supermarket Demand for Quality Meat and Steady Supply Is Uniting Livestock Feeding and Marketing Functions

A Colorado cattle feeder, within sight of his feedlot, builds a packing plant with an annual capacity of 135,000 to 150,000 head. About two-thirds can come from his own lot.

A large feeding firm combines with a packing company and a meat wholesaler to form a single firm.

Most of the 16,000 head of cattle on feed in a California feedlot are owned by or are under contract to several packers.

Are these isolated, unrelated events? Or are they part of an emerging pattern in the beef industry?

Chances are the latter is the case, judging from recent developments in this rapidly evolving business. Most of these trends point in the direction of increasing consolidation.

The initial impetus appears to have come from the rapid trend toward concentration in the nation's retail grocery trade. More and more, the supermarkets, whether owned or managed by corporations, cooperatives or individuals, seem to be dominating the food retailing business.

In 1947, when national grocery sales totaled $23.1 billion, these supermarkets handled 66 per cent of the business. In 1962, the figure rose to 90 per cent, and total sales reached $56.2 billion. In that year, 10 chains handled 27 per cent of all sales.

Mass distribution of meat and a more specialized demand (created in part by the retailers themselves) have put new pressures on all other segments of the beef industry.

The larger retail grocery groups stress uniformity in grade and size, and less fat. They also want a fairly steady supply from week to week through the year.

These demands are forcing cattle feeders to concentrate more on product control than ever before. The beef desired by retailers comes from cattle fed out at lighter weights. As a result feeders are buying younger, lighter-weight cattle. Also, many feeders are going in for year-round operations rather than "one shot per year."

The impact of these changes is most clearly seen in the West where the large feedlot operation has become most common. Nine hundred of these feedlots had 65 per cent of all cattle on feed in the 11 Western states last January 1, and 18 per cent of the U.S. total.

Large feeding operations also are coming into the Corn Belt. While concentration of feeding is not likely to develop in the Corn Belt as rapidly as in the West, the evidence indicates a higher degree of concentration in size and ownership in the future.

Another significant change is an increase in the number of cattle and calves fed by or for meat packers—from 4.7 per cent of national commercial slaughter in 1957 to 6.4 per cent in 1961. Limited numbers of cattle also are being fed by or for chain stores. In addition to the animals actually owned, packers and chains also contract ahead for cattle.

The concentration of cattle in large feedlots is helping to change traditional marketing methods. Only about a third of the fed cattle are now sold through terminal markets. Direct purchases by packers and marketing through auction are increasing.

These developments seem likely in the future:

—Product controls must become more stringent in each part of the industry—production, feeding, packing and retailing. As the product moves through the marketing system, evidence that it meets the specifications on which it is sold will become more important.

—Basing price system now in use may become obsolete. The decline in the number of fed cattle moving through terminal markets will make quotations from these markets less useful in making decisions in marketing.

—As larger proportions of the fed cattle are handled by larger groups—either actual combinations of firms or voluntary associations—those outside will have less representative information on which to base marketing decisions. *(18)*

## Big Feed Firms Offer Low Prices; Local Dealer's Reply Is Grain Bank

Like the general store and the blacksmith shop, the small-town feedstore is having a hard time staying on the rural scene. As large scale, highly specialized livestock and poultry operations become common, more farmers are buying their mixed feeds in bulk and directly from the manufacturer. As a result, the feedstore dealers face stiff competition to get customers.

The feed manufacturers are in a position to provide plenty of competition, too. To begin with, direct sales in bulk frequently give them a price advantage over the dealers. Many companies are selling nearly all of their feed tonnage in bulk at present.

About 40 per cent of the larger feed mixing firms are using full-time salesmen to make calls right on the farms. The salesmen are trained to operate as public relations men, selling the company right along with the feed. To top off the sale, company representatives are prepared to arrange credit for the farmer and help him with any problems he may have in feeding and caring for his livestock or poultry.

To hold onto their dwindling market, some local feed dealers

are establishing grain banks for farmers. The farmer's storage costs for banking his grain are nominal. By establishing a grain bank the local mill operator also has a chance to advise the farmer on his feeding operations when he picks up the feed. And with the grain banks the feed dealers can plan their production schedules in advance, which gives them a chance to cut down on the cost of mixing the feed.

Thus, there is still plenty of opportunity for the responsible feed dealer who is service-minded and cost conscious and keeps close tabs on his cost sheets. *(19)*

## Railroads Are Lowering Grain Rates Where Truck-Barge Lines Compete

Like Casey Jones or the Old 97, moving grain to market used to be part and parcel of railroading. With recent rate reductions, the railroads seem to be out to recapture history.

For nearly a century, grain rode the rails out of the Plains states to terminal points all over the country, usually stopping along the way for storage, milling and other processing at no extra cost for transportation. Shippers liked these transit privileges. But more to the point, there wasn't any other reliable way to ship.

After the war, shippers turned more and more to truck and barge transportation, singly or in combination. There were several reasons. Faced with the slow and costly job of modernizing, railroads continued to use older, poorly maintained boxcars, service fell off and grain losses in transit mounted. Then too, trucks could deliver to any terminal point on our growing network of highways, usually faster than rail cars could be routed through a series of freight yards.

But rates were the big factor. Rail rates for grain nearly doubled from 1946 to 1958. With lower overhead costs, both trucks and barges could charge less than the railroads and still make a reasonable profit.

Moreover, truckers and barge lines, unlike the railroads, are not bound by fixed rates subject to the approval of the Interstate Commerce Commission. Under special exemptions in the Interstate Commerce Act, trucks can haul raw agricultural commodities for negotiated fees, and barges can do the same for bulk commodities. Grain is under both exemptions.

Of 8,500 country grain elevators surveyed in 1958 in the North Central states, 5,100 shipped by rail and truck and 844 shipped by truck only.

Many shippers have grain trucked to the Mississippi River and Great Lakes ports, for example, and send it on by barge.

Rail rates tend to be lower where water transportation serves the same two points, higher where there is no water competition. For instance, Minneapolis and Limon, Colorado, are about the same distance from New Orleans and estimated railroad costs are about the same. Yet the lowest proportional rail grain rate from Minneapolis, which can ship by barge down the Mississippi, is 40 per cent less than the rail rate from landlocked Limon.

Railroads began to reduce some grain rates on a point-to-point basis in the late 1950s. These lower rates called for higher carload minimums, reduced or eliminated transit privileges and were good only from one origin to one destination. In 1958 reduced rates with limited transit privileges were introduced throughout the Pacific Northwest but were slightly more favorable in areas along the Columbia River where barges are available.

Railroads used the same pattern in reducing rates in the North Central states. Rates were lowered first between selected points where truck and barge competition was greatest. In fact, the country grain elevator operators surveyed in 1958 often complained about the discrimination of these point-to-point reductions.

In 1959 the railroads cut rates on coarse grains moving from North and South Dakota to terminal markets. The next year they did the same for grain going from parts of the Dakotas to Minneapolis and Duluth-Superior. And the trend continues as railroads try to meet the service and rate competition of truck and barge lines moving grain interstate as well as that of the St. Lawrence Seaway which makes it possible to ship directly from mid-America to overseas markets. *(20)*

## Survey Shows Restaurants Use Milk As Service, Not as Sales Booster

Milk gets less attention than other beverages in the world of restaurants and other eating places.

Unlike coffee, which is considered a prime builder of sales, many managers think of milk chiefly as a service to the customer. A good many managers feel this way about all beverages. But the feeling is more pronounced for milk.

This opinion of milk was revealed in a recent survey of eating places in Hartford, Conn., and Indianapolis, Ind. The study was made to provide the dairy trade with information to strengthen the demand for its product. The survey included restaurants, cafeterias, lunch counters and drive-ins.

All of which suggests that the dairy industry could make the virtues of its product better known.

One of the virtues to extoll is the margin for milk: it stands the test of competition with most other beverages served and, more important, the margin is far better than most of the managers believe.

For instance, the margin for milk sold in all eating places in Hartford was 7.8 cents per serv-

ing in the fall of 1961; the margin for soft drinks was 8.8 cents while that for coffee was about the same as milk.

But when the managers were asked what they thought the margin was for milk sales, they came up with an average of only 5.8 cents.

Another finding in the survey was that milk is apt to be missing from the menus, a fact which reduces the sales potential drastically. Twenty-four per cent of the restaurants surveyed in Hartford didn't list milk.

Milk gets practically no boost from waitresses, either. Though it was common practice for a waitress to recommend various foods to the customer, they almost never suggested milk.

On the other hand, restaurant workers don't feel that it is especially difficult to serve milk. In Hartford, in fact, milk was rated as the easiest to serve of all beverages.

As an indication of what might be done to push sales of milk in resturants, cafeterias and so forth, about half of the managers surveyed said they would welcome recipe and menu suggestions from the trade.

Display material could also help to increase sales for milk, but here the trade would face stiff competition. From one-third to two-thirds of the promotional material distributed to the restaurants came from beverage suppliers.

The other major dairy products have their troubles, too.

Butter, for instance, took second place in total servings to margarine in Indianapolis. In Hartford, the reverse was true. The Indianapolis eating places further discouraged the sales of butter by charging for extra servings.

Even ice cream meets with less than 100 per cent support. Only two-thirds of the eating places in both cities sold ice cream. When it was sold it was not always on the menu. *(21)*

## Marketing Groups Need Time, Money And Farmer's Support to Aid Sales

Two heads are better than one. Fifty may be better still.

The old axiom is truer than ever today.

Nowadays the farmer is apt to be his own broker—and promoter—of agricultural products, a job that is both too specialized and too costly for the average farm operator to handle alone.

One answer is for farm producers to pool their resources in agricultural marketing groups. The group can better finance advertising programs to try to increase the demand for its product. To some extent it can control the supply of its product and prevent market gluts. And it can coordinate efforts to save money through production and marketing efficiencies.

Marketing groups should keep four points in mind:

—Keep your program workable. Money spent on advertising may be wasted unless there is enough left to finance an adequate merchandising program. Don't plan a program that's too broad in scope for the group to carry out effectively.

—Get able management. Promotional programs call for a thousand and one details in all stages—planning, coordinating, education and evaluation. A good manager can make the difference between a so-so program and a successful one.

—Have enough members. They provide the money and moral support. Include large producers as well as small so that the group can control enough production volume to have an adequate voice in setting prices.

—Keep members informed of goals and gains. Group action takes time. Membership loyalty seems to need constant re-education. *(22)*

## REVIVING TEXAS GRAPEFRUIT MAY SQUEEZE FLORIDA SALES

Competition, that's what Texas grapefruit growers lost out on after the disastrous freeze in January 1962. It's what growers in Florida's Indian River area provide plenty of. And it's what growers in Florida's interior grapefruit area will be worrying about when the Texans get back in the game.

That's the concensus of 163 terminal-market buyers surveyed recently in eight mid-continent urban areas, where grapefruit from the three regions often compete for retail shelf space.

Most of the buyers believed the sales volume of Florida grapefruit—especially that from the interior area—would drop when Texas again becomes a major producer. Many thought the quality of Indian River grapefruit higher than interior or Texas fruit. But they thought that low freight rates for Texas fruit would enable the product to compete well with Indian River fruit, particularly west of the Mississippi.

Half the buyers said their grapefruit purchases from the three areas during 1960-61 (before the 1962 freeze) were based mainly on price. Quality was most important to 27 per cent; customer preference was cited by 8 per cent.

Seventy per cent reported that no differences in profit margins resulted from buying grapefruit according to area of origin. Nearly all buyers thought shipments during the fall months were inferior to those in the winter and spring. Furthermore, most believed the quality of fruit shipped in the fall hurt sales when better fruit was available.

Twenty per cent thought producer-sponsored advertising had little or no effect on grapefruit sales. *(23)*

# $6 BILLION EXPORTS LIKELY

The U.S. record for farm products exported in any one year—$5.1 billion in fiscal 1962—will probably be topped this year by an amount approaching $1 billion.

The outlook for fiscal 1964, ending next June 30, is for farm exports to approximate $6 billion; they totaled $5 billion in fiscal 1963.

Commercial sales for dollars in fiscal 1964 should reach $4.2 billion and account for nearly all of the increase in total agricultural exports. Shipments under government aid programs are estimated at $1.6 billion.

A large part of the $1 billion increase in farm exports will be due to the biggest wheat exports in our history. Wheat shipments will run about 1 billion bushels if anticipated sales to the Soviet bloc go through.

Wheat and flour sales to the Soviet Union and other East European countries were authorized by the President last month. Among the conditions:

—Sales are to be at prevailing world prices.

—Payment is to be made in U.S. dollars or gold.

—Terms of sale will be cash or normal commercial credit.

Even without Soviet sales, however, our wheat exports should total about 800 million bushels, a new record. The previous record was set in fiscal 1962 when 718 million bushels went overseas. Last year's exports came to 638 million bushels. With a smaller crop this year, Western Europe is expected to buy more U.S. wheat.

But all major export commodities are expected to share in the expansion; cotton, soybeans and vegetable oils should top the list along with wheat.

These factors point to a record export year:

—Strong economic activity abroad, particularly in Western Europe.

—Alltime high gold and dollar holdings in most countries that buy U.S. commodities for dollars.

—Continuing U.S. sales for foreign currencies to countries short of gold and dollars.

—Lower textile stocks in Western Europe and Japan leading to increased demand for raw cotton imports.

—Poor grain crops, especially in the Soviet bloc countries and low quality grain harvest in Western Europe.

—Continuing U.S. export payments that enable our farm products to move into the world market at competitive prices.

COTTON. Exports of 5 million bales—up 1.4 million from fiscal 1963—are in prospect.

Back of the increase is an expected upturn in mill consumption in importing countries, reduced stocks in both buying and selling nations and smaller crops in exporting countries other than the U.S. Important too is the CCC export sales program that enables U.S. cotton to compete in price with similar foreign cotton.

OILSEEDS AND PRODUCTS. New records are in sight. Exports of edible vegetable oils are expected to top last year's 1,600 million pounds by 200 million. Because the supply of U.S. soybeans is limited, exports will not be much above the record 171 million bushels exported in fiscal 1963. However, soybean meal will likely advance to a new record due to the substantial demand in Western Europe.

ANIMAL PRODUCTS. Larger supplies, better quality and lower prices will help our exports of variety meats to compete more favorably with those of other surplus producers and exports should reach a new high. Similar records are forecast for U.S. hides and skins.

DAIRY PRODUCTS. Larger donations to emerging nations, made under government programs, should push exports well above the $160 million worth shipped in fiscal 1963.

OTHER COMMODITIES. Feed grain exports should be near last year's record of more than 15 million metric tons. Rice will be down slightly. So will fresh fruits, processed citrus fruits and dried beans. Despite the continuing decline in the West German market for U.S. poultry, moderate gains in other markets will result in only a slight decline in our total overseas sales of poultry and poultry products. *(30)*

## Rise and Fall of U.S. Poultry Sales Prompts Our Bargaining With EEC

What's behind U.S. concern over the sharp drop in our poultry sales to West Germany?

At issue are the high tariffs imposed since August 1962 by the European Economic Community. West Germany, of course, is a member of the trading community that's trying to increase its own production and internal trade in farm products by setting up common tariffs against imports from nonmembers.

In 1962 West Germany bought over half of all U.S. poultry sold in foreign markets, some 148 million pounds. But most of these sales were made before the new tariff system went into effect in August. Our sales of fresh and frozen broilers in January-July 1963 fell 81 per cent, compared with the same period in 1962. The decline in other poultry products has been much the same.

In effect, the new tariffs have just about priced U.S. poultry out of the German market. In the meantime, French and Dutch sales have increased, mostly because France and the Netherlands, also members of the Community, don't pay the two extra levies the U.S. pays.

The rapid growth of the German market for U.S. poultry in the late 1950s can be traced to two developments in West Germany itself and a third in the United States.

First, West Germany's dollar reserves reached the point where the government could relax the rigid restrictions on imports of many farm products, including poultry. In 1959, quantitative restrictions against all U.S. poultry except broilers and fowl were removed. In 1961 even these limitations were dropped.

Second, German consumers developed a real liking for American-style chicken. Our first large shipments of fresh and frozen poultry to West Germany date back to 1956. Because of Bonn's balance of payments problems at the time, these shipments were made under the P.L. 480 program sponsored by the U.S.

The U.S. then launched a promotional program, which included free samples of American fried chicken for visitors to trade fairs in Cologne, Munich and Hamburg. And U.S. sales soared, from less than $9 million for all poultry in the last three and a half years that imports were restricted to over $32 million in April-December 1961, the first nine months after restrictions were dropped.

A third factor in this fast growing sales picture was the vast improvement in the efficiency of poultry production in the U.S. Until the mid-1950s the relatively high cost of producing U.S. poultry required us to ask an export price that was not particularly attractive to foreign buyers.

By the turn of the decade our prices were highly competitive with those of other poultry exporting countries. *(24)*

### *Dutch Treat*

USDA's Food Exhibition and Symposium in Amsterdam November 7-24 is part of our effort to increase U.S. markets for farm products.

Trying to gain an objective measure of the project's success will be a firm under ERS contract. The research group will:

—Interview European opinion leaders, food handlers, consumers and U.S. exhibitors before, during and after the affair.

—Audit retail food stores in the Amsterdam area to measure any change in the availability of U.S. foods. *(25)*

### *News Pickups*

HEMISPHERE TRADE. First figures indicate fiscal 1963 was the best year ever for U.S. farm exports to Canada and Latin America. Shipments topped $1 billion, representing nearly 20 per cent of our world exports. Canada was our best customer, fruit and preparations our best sellers north of the border. Brazil was second, taking mostly wheat.

COMMON MARKET TRADE. In the first 12 months under the Market's variable levy system, U.S. farm exports fell 10 per cent. Sales for the year ending July 30 were just over $1 billion, compared with $1.2 billion in 1961-62. Exports of commodities subject to levies were down 26 per cent, nonlevy commodities less than 1 per cent. Hardest hit were wheat and flour, feed grains, eggs and poultry.

BRAZIL. Bulgaria plans to build an onion dehydrating plant for the northeastern state of Pernambuco. Sofia will send along technicians to show farmers how to improve onion production and processing. Total package, worth $500,000, will be paid in exports to Bulgaria.

POLAND. No more price hikes. So the government promised last March when it raised prices on coal, gas and electricity. The pledge lasted only until September, when a poor crop year was given as the reason for upping prices on many consumer items, mostly foodstuffs. *(26)*

**FINANCIAL REPORT**: Some countries are in an excellent financial position. Others are just as certainly in a poor position. But most are not so clearly defined. Even though there is no exact mathematical formula for placing a country in one financial category or another, many people need a general guide. Such a guide is useful in assessing a country's ability to pay for imports in dollars, either cash or on a deferred payment basis. It also helps to evaluate the country's ability to handle the burden of additional debt servicing or to adopt internal monetary policies that may be required to qualify for foreign assistance programs. ERS periodically updates such a general guide, using the best available information on each country's foreign exchange reserves, export-import balance, balance of payments position, external indebtedness and similar indicators. *(27)*

| Country | Aug. 1963 | Sept. 1962 | Feb. 1962 | Oct. 1961 | Mar. 1961 | Aug. 1960 | Oct. 1959 |
|---|---|---|---|---|---|---|---|
| Australia | E | E | E | E | E | E | G |
| Austria | E | E | E | E | E | E | E |
| Bahrein, State of | E | E | E | E | E | E | E |
| Belgium-Luxembourg | E | E | E | E | E | E | E |
| Canada | E | G | E | E | E | E | E |
| France | E | E | E | E | E | E | G |
| Germany, Fed. Rep. of | E | E | E | E | E | E | E |
| Italy | E | E | E | E | E | E | E |
| Kuwait | E | E | E | E | E | E | E |
| Netherlands | E | E | E | E | E | E | E |
| Panama | E | E | E | E | E | E | E |
| Saudi Arabia | E | E | E | G | G | G | F |
| Spain | E | G | G | F | P | P | P |
| Sweden | E | E | E | G | G | E | G |
| Switzerland | E | E | E | E | E | E | E |
| United Kingdom | E | E | E | G | E | E | E |
| Denmark | G | G | G | G | G | G | G |
| El Salvador | G | G | G | G | G | G | G |
| Ireland | G | G | G | G | G | G | G |
| Israel | G | G | F | P | P | P | P |
| Japan | G | G | G | G | E | E | E |
| Lebanon | G | G | G | G | G | G | G |
| Libya | G | F | F | P | P | F | P |
| Malaya, Fed. of | G | G | G | G | G | G | G |
| Mexico | G | G | G | G | G | G | G |
| Netherlands Antilles | G | G | G | G | G | G | G |
| New Zealand and W. Samoa | G | F | F | F | G | G | G |
| Nigeria | G | G | G | G | G | — | — |
| Norway | G | G | G | G | G | G | G |
| Portugal | G | G | G | G | E | E | E |
| Rhodesia & Nyasaland, Fed. of | G | G | G | G | F | G | G |
| South Africa, Rep. of | G | F | F | F | F | G | G |
| Sudan | G | G | G | G | F | F | P |
| Surinam | G | G | G | G | G | G | G |
| Thailand | G | G | G | G | G | G | G |
| Venezuela | G | G | G | G | G | G | E |
| Afghanistan | F | F | F | F | F | F | F |
| Algeria | F | F | — | — | — | — | — |
| Burma | F | F | F | F | F | F | F |
| China (Taiwan) | F | P | P | P | P | P | P |
| Costa Rica | F | F | F | F | F | F | G |
| Dominican Rep. | F | P | P | P | F | F | F |
| Ecuador | F | F | F | F | G | G | G |
| Ethiopia | F | F | F | F | F | F | P |
| Finland | F | F | F | F | F | F | F |
| Free Ter. of Trieste Palestine, and Arabia Pen. States | F | F | F | F | F | F | F |

| Country | Aug. 1963 | Sept. 1962 | Feb. 1962 | Oct. 1961 | Mar. 1961 | Aug. 1960 | Oct. 1959 |
|---|---|---|---|---|---|---|---|
| Ghana | F | G | G | G | G | G | G |
| Greece | F | F | P | P | P | P | P |
| Guatemala | F | F | F | F | F | F | F |
| Honduras | F | F | F | F | F | F | F |
| Iran | F | F | F | F | F | F | G |
| Iraq | F | F | F | F | F | F | F |
| Jamaica | F | — | — | — | — | — | — |
| Liberia | F | G | G | G | G | G | G |
| Nicaragua | F | F | F | F | F | F | F |
| Peru | F | F | F | F | P | P | P |
| Philippines, Rep. of | F | F | F | F | F | F | P |
| Tanganyika | F | — | — | — | — | — | — |
| Uganda | F | — | — | — | — | — | — |
| Argentina | P | P | F | F | P | P | P |
| Bolivia | P | P | P | P | P | P | P |
| Brazil | P | P | P | P | P | P | P |
| Burundi | P | P | — | — | — | — | — |
| Cambodia | P | P | P | P | P | P | P |
| Ceylon | P | P | P | P | P | F | F |
| Chile | P | P | P | P | P | P | P |
| Colombia | P | P | P | P | P | P | P |
| Congo (Leopoldville) | P | P | P | P | P | P | G |
| Cuba | P | P | P | P | P | P | F |
| Cyprus | P | P | P | P | P | — | — |
| Guinea | P | P | P | P | P | P | P |
| Haiti | P | P | P | P | P | P | P |
| Iceland | P | P | P | P | P | P | P |
| India | P | P | P | P | P | P | P |
| Indonesia, Rep. of | P | P | P | P | P | P | P |
| Jordan | P | P | P | P | P | P | P |
| Korea, Rep. of | P | P | P | P | P | P | P |
| Laos | P | P | P | P | P | P | P |
| Mali | P | — | — | — | — | — | — |
| Morocco | P | P | P | P | P | P | P |
| Nepal | P | P | P | P | P | P | P |
| Pakistan | P | P | P | P | P | P | P |
| Paraguay | P | P | P | P | P | P | P |
| Rwanda | P | P | — | — | — | — | — |
| Sierra Leone | P | P | P | P | — | — | — |
| Somali Rep. | P | P | P | P | P | — | — |
| Syrian Arab Rep. | P | P | P | P | P | P | P |
| Tunisia | P | P | P | P | P | P | P |
| Turkey | P | P | P | P | P | P | P |
| United Arab Rep. (Egypt) | P | P | P | P | P | P | P |
| Uruguay | P | P | P | P | P | P | P |
| Viet-Nam, S. | P | P | P | P | P | P | P |
| Yugoslavia | P | P | P | P | P | P | P |

**Excellent:** More than ample foreign exchange holdings to pay for usual imports; balance of payments situation satisfactory or favorable. Outlook: favorable. **Good:** Exchange holdings, if prudently managed, are adequate to meet current import needs without difficulty; balance of payments situation is stabilized. Outlook: favorable or stable and without major adverse elements. **Fair:** Payment difficulties limit the country's ability to import freely; reserves are either (a) barely sufficient to maintain essential imports, with the outlook tolerable to favorable or (b) currently adequate but deteriorating, with no indication of reversal of the trend; balance of payments situation is either basically weak or shifting to unfavorable. **Poor:** Exchange holdings are low or being depleted; balance of payments situation is unfavorable and earnings are insufficient for import needs; deficit is financed by drawing down on reserves and/or foreign borrowing and assistance; import capability is severely limited and foreign indebtedness is often large. Outlook: uncertain or unfavorable.

# SPACE AGE FOODS

New is the word for 1964—enough new food products on the shelves to make the cook hustle just to keep up with them, as manufacturers vie for the attention and pleasure of the housewife.

Among the new products already on the shelves or in the laboratories are:

*Squeeze tubes.* One company is putting out a baby food in a container modeled after the ones used by astronauts on their space flights. The aluminum tube is fitted with a hollow-handled plastic spoon which can be attached to the neck of the tube. Just squeeze, and you have a spoonful of food for the baby—or for a bedridden patient.

*Gelled applesauce.* Developed by USDA laboratories, the new apple product has the consistency of cranberry sauce and can be served in much the same way. When heated, the sauce turns to liquid and can be poured into salad molds and chilled for serving.

*Dried, blanched fruits.* An adaptation of old processes, the new method compares favorably in quality with traditional sun-dried fruits. It makes it easier to dry such fruits as peaches, which don't sun-dry satisfactorily.

*Bulgar — back again.* Introduced as a canned, cooked form of the ancient wheat food, the newer product is an "instant" dry version. Look for bulgar to take its place in such foods as soups, main dishes and desserts.

*Frozen avocado salad.* The USDA laboratories have come up with a way to freeze guacamole, a favorite southwestern recipe borrowed from Mexican cooks. The frozen version should help to take the guesswork out of finding enough just-ripe avocados to whip up the salad.

*Instant omelets.* The blend of dried ingredients and whole egg solids will store on the pantry shelf until it is time for a quick breakfast or a spur of the moment supper. The instant omelets are already being introduced in markets throughout the country.

*Instant sweetpotato flakes.* Restaurant chefs and food processors have already had a try at the sweetpotato flakes. Now they appear to be headed for the retail shelf.

And the food manufacturer will keep on turning out new products to please the housewife. *(31)*

## Plentiful Beef Supply Will Help Hold 1964 Retail Food Prices Close to 1963

Food prices probably won't go up next year as much as they did in 1963.

ERS economists report the estimated 1½ per cent increase in retail food prices this year was due to unusual factors that aren't likely to recur in the coming year.

Among these factors was the Florida freeze which resulted in reduced supplies of citrus fruits and winter vegetables and sharply higher retail prices—6 per cent higher on the average in the first 9 months of 1963 than in the same period in 1962.

Another factor was the increase in sugar prices. True, sugar and other sweeteners make up only a small part of the family food budget. Prices averaged 7 per cent higher in the first 3 quarters of 1963 than in the same period last year.

While prices for fruits, vegetables and sweeteners climbed in 1963, prices for such items as meat and poultry averaged below 1962 levels. Also, prices of dairy products, fats and oils were at or below last year's levels.

On balance, it looks like larger supplies of livestock products, particularly beef, will keep retail prices for meat in 1964 around levels for this year. Fewer processed fruits and vegetables, plus continuing low supplies of citrus, may cause some upward price pressures to develop. But all in all. retail food prices won't go up much.

However, eating out will cost more in 1964. But this isn't a new trend. Since the government began keeping records back in 1953, the cost of meals in restaurants and other away-from-home eating places has gone up at a rate of about 2½ per cent a year. This steady rise reflects not only increased cost of food but also higher labor and other costs in preparing and serving restaurant meals. *(32)*

# RECENT PUBLICATIONS

*The following publications are issued by the Economic Research Service and cooperatively by the state universities and colleges. Unless otherwise noted, reports listed here and under* Sources *are published by ERS. Single copies are available free from the Division of Information, OMS, U.S. Department of Agriculture, Washington, D.C. 20250. State publications may be obtained from the issuing agencies of the respective states.*

MULTIPLE-PRODUCT PROCESSING OF CALIFORNIA FROZEN VEGETABLES. Robert H. Reed, Marketing Economics Division, ERS, and L. L. Sammet, Professor of Agricultural Economics, University of California, Berkeley.

Economic and engineering research procedures are used in a synthesis of costs for a series of different plants designed for single-product output of six major frozen vegetables—broccoli, Brussels sprouts, green peas, lima beans, and spinach. The report is in two sections: (1) Analysis of Operations and Costs, and (2) Labor and Equipment Standards and Requirements for Preparation and Packaging. The report should supply useful information to management of individual firms in efforts to improve operating efficiency, in planning new investments, and in determining short-run adjustments in product mix.

THE RURAL SCHOOL DROPOUT—A TEN-YEAR FOLLOW-UP STUDY OF EASTERN KENTUCKY YOUTH. E. Grant Youmans, Economic and Statistical Analysis Division. Bulletin of the Bureau of School Service, University of Kentucky. Vol. XXXVI, No. 1.

This is one of several reports on a survey made jointly by the Agricultural Experiment Station, University of Kentucky, and the U.S. Department of Agriculture. In 1950, a total of 757 boys were enrolled in the eighth grade of the public schools in 11 eastern Kentucky counties. In 1960, 307 of these youths were interviewed. More than half the respondents had dropped out of school before completing the twelfth grade, and among these, the larger proportion had received only eight years of formal education. The report discusses the work life and community life of the young men who were interviewed.

SIMPLE METHODS OF ESTIMATING CERTAIN NONLINEAR FUNCTIONS WITH EMPHASIS ON AGRICULTURAL DATA. Richard H. Day, Farm Production Economics Division. AH-256.

Two elementary methods are presented for fitting three different nonlinear functions to empirical data by means of simple linear regressions. Iterative least squares methods which have been developed for estimating parameters of nonlinear functions sometimes lead to certain difficulties in application. Because this is so, the methods developed in this handbook are useful tools for application. The relative merits of this approach versus the nonlinear iterative approach are briefly described.

TRUCK CROP PRODUCTION PRACTICES, IMPERIAL COUNTY, CALIFORNIA—LABOR, POWER, AND MATERIALS BY OPERATION. Earl E. Gavett, Farm Production Economics Division. ERS-128.

This report contains information from Imperial County, California, on labor requirements, production practices, and costs involved in the production of

***Sources for this issue:***

1. Farm Cost Situation, FCS-35 (P) ; 2. T. F. Hady, "The Impact of Estate and Inheritance Taxes on the Farm Enterprise," Agr. Finance Rev., June '63 (P) ; 3. F. L. Garlock and others, The Balance Sheet of Agriculture, 1963, AIB-281 (P); 4. W. B. Sundquist and others, Equilibrium Analysis of Profitable Adjustments on Farms in Lake States Dairy Region, 1965, Minn. Agr. Expt. Sta. (M) ; 5. A. R. Bird, Least Cost Organization of Eastern Massachusetts Dairy Farms for Four Levels of Gross Income, Mass. Agr. Expt. Sta. (M); 6. L. W. Van Meir, Factors in Regional Location of Cattle Feeding (S); 7. E. E. Gavett, Truck Crop Production Practices, Imperial County, California, ERS-128 (P) ; 8. E. E. Gavett, Truck Crop Production Practices, Monterey County, California, ERS-129 (P); 9. R. E. Hatch and others, Production Requirements, Cost and Expected Returns for Crop Enterprises on Clay Soils in the Lower Rio Grande Valley of Texas, Tex. Agr. Expt. Sta. (M); 10. Fallout Facilities and Fuels on Farms in 24 Central and Southern States, SRS 3 (P) ; 11. W. G. Adkins, Incomes of Rural Families on the Blackland Prairies, Tex. Agr. Expt. Sta. MP-659 (P) ; 12. G. B. Crowe, The Effect of Technology on Cotton Production (S) ; 13., 14. V. W. Davis (SM) ; 15. R. N. Van Arsdall, Should You Specialize and Increase Size of Enterprise? (S) ; 16. F. D. Stocker, Planning in an Environment of Sparse and Declining Population (S); 17. W. K. Burkett, Income Problems of Rural Families in South Central Kentucky (M) ; 18. E. C. Hunter, Coordinated Livestock Marketing as an Integrated Operation (S); 19. C. J. Vosloh, Jr. (SM) ; 20. J. R. Corley, The Changing Transportation Structure and Rates and Their Implications (S) ; 21. W. E. Clement, Use of and Promotional Practices for Dairy Products in Public Eating Places, MRR-626 (P); 22. D. Oldenstadt, Producer Group Action in Agricultural Marketing (S) ; 23. W. T. Manley and others, Competitive Practices in Marketing Florida and Texas Fresh Grapefruit, MRR-629 (P); 24. W. C. Paddock, "Developments in U.S. Poultry Trade With West Germany," Poultry and Egg Situation, PES-227 (P); 25. W. S. Hoofnagle (SM) ; 26. Development and Trade Analysis Division and Regional Analysis Division (SM); 27. G. P. Rice and W. E. Elrod, Jr., "External Financial Positions of Foreign Countries," Foreign Agricultural Trade, July-Aug. '63 (P) ; 28. F. L. Garlock (SM) ; 29. K. E. Ogren, The Marketing Outlook and the Consumer (S); 30. R. L. Tontz (SM) ; 31. P. B. Dwoskin, Markets and New Products (S); 32. S. J. Hiemstra (SM).

Note: The Outlook Chartbook section of this issue is designed as a detachable separate. It supplements the *Handbook of Agricultural Charts* published in September. Write the above address for Agriculture Handbook No. 258.

*Speech (S); published report (P); report in process (M); Special material (SM).*

truck crops for fresh market and processing. California leads the nation in the production of truck crops and Imperial County is the great winter vegetable producing area of the West. Truck crops, in general, require intensive labor. These requirements are highly seasonal—with several labor peaks, the highest occurring at harvestime. Thinning and weeding are two operations still performed largely by hand labor.

AGE-GRADE SCHOOL PROGRESS OF FARM AND NONFARM YOUTH: 1960. James D. Cowhig, Economic and Statistical Analysis Division. AER-40.

Results of the 1950 and 1960 Censuses are used to compare the school progress of farm and nonfarm children in 1960 and to describe the changes that occurred over the decade. Highlights of the study show that between 1950 and 1960 the proportion of rural-farm children enrolled in school increased substantially. During the same decade improvement took place in the proportion of farm and urban children enrolled in grades expected for their age.

COSTS AND ECONOMIES OF SCALE IN TURKEY PROCESSING PLANTS. George B. Rogers and Earl H. Rinear, Marketing Economics Division. MRR-627.

Gains in turkey processing efficiency have occurred in recent years with the adoption of new technology, increases in plant size, better use of capacity and changes in the industry. The report measures possibilities for reductions in costs and gains in efficiency. According to data from 25 plants surveyed, average costs per pound decline when plant size increases. Plant managers can use these data to compare their present situations with similar plants and plan for the future.

RURAL RESIDENTS AND URBAN EXPANSION. Charles Press and Rodger Rice, Institute for Community Development and Services, Michigan State University, cooperating with Farm Production Economics Division. ERS-132.

This report deals with the opinions of nonfarm residents concerning urban expansion into farm areas. The 1962 study was made in a township lying on the fringe of a growing metropolitan area. An earlier study used the opinions of farmers in the same area. The purpose of the two studies was to obtain information on attitudes residents of such an area might be expected to have toward the increasing urbanization of their area.

SCHOOL DROPOUT RATES AMONG FARM AND NONFARM YOUTH: 1950 AND 1960. James D. Cowhig, Economic and Statistical Analysis Division. AER-42.

Information from the 1950 and 1960 Censuses of Population is used to derive estimates of the number and proportion of farm and nonfarm youths who dropped out of school before finishing high school. Between 1950 and 1960 school dropouts among 14-to-24-year-olds declined. Dropout rates are shown by age and residence for the entire United States, and the South separately. The prevalence of dropouts among 19-year-olds is shown for each of the 50 states by residence, and by color for the southern states.